UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013
Commission file number 001-09718

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $5.00	New York Stock Exchange
Depositary Shares Each Representing a 1/4,000 Interest in a Share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P	New York Stock Exchange
Depositary Shares Each Representing a 1/4,000 Interest in a Share of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q	New York Stock Exchange
Warrants (expiring December 31, 2018) to purchase Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
$1.80 Cumulative Convertible Preferred Stock - Series B, par value $1.00

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No __

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 30, 2013, determined using the per share closing price on that date on the New York Stock Exchange of $72.92, was approximately $38.6 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 19, 2014: 534,064,610

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of The PNC Financial Services Group, Inc. to be filed pursuant to Regulation 14A for the 2014 annual meeting of shareholders (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

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PART I

Forward-Looking Statements: From time to time, The PNC Financial Services Group, Inc. (PNC or the Corporation) has made and may continue to make written or oral forward-looking statements regarding our outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position and other matters regarding or affecting PNC and its future business and operations or the impact of legal, regulatory or supervisory matters on our business operations or performance. This Annual Report on Form 10-K (the Report or Form 10-K) also includes forward-looking statements. With respect to all such forward-looking statements, you should review our Risk Factors discussion in Item 1A, our Risk Management, Critical Accounting Estimates And Judgments, and Cautionary Statement Regarding Forward-Looking Information sections included in Item 7, and Note 23 Legal Proceedings and Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements included in Item 8 of this Report. See page 99 for a glossary of certain terms used in this Report.

ITEM 1 – BUSINESS

BUSINESS OVERVIEW

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States. We have businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking, providing many of our products and services nationally, as well as other products and services in our primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina. We also provide certain products and services internationally. At December 31, 2013, our consolidated total assets, total deposits and total shareholders' equity were $320.3 billion, $220.9 billion and $42.4 billion, respectively.

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

2012 RBC BANK (USA) ACQUISITION

On March 2, 2012, we acquired 100% of the issued and outstanding common stock of RBC Bank (USA), the U.S. retail banking subsidiary of Royal Bank of Canada. As part of the acquisition, PNC also purchased a credit card portfolio from RBC Bank (Georgia), National Association. PNC paid $3.6 billion in cash as the consideration for the acquisition of both RBC Bank (USA) and the credit card portfolio. The transaction added approximately $18.1 billion in deposits, $14.5 billion of loans and $1.1 billion of goodwill and intangible assets to PNC's Consolidated Balance Sheet. Our Consolidated Income Statement includes the impact of business activity associated with the RBC Bank (USA) acquisition subsequent to March 2, 2012. Note 2 Acquisition and Divestiture Activity in Item 8 of our 2012 Form 10-K includes additional details related to the RBC Bank (USA) transactions.

RBC Bank (USA), based in Raleigh, North Carolina, operated more than 400 branches in North Carolina, Florida, Alabama, Georgia, Virginia and South Carolina. The primary reasons for the acquisition of RBC Bank (USA) were to enhance shareholder value, to improve PNC's competitive position in the financial services industry, and to further expand PNC's existing branch network in the states where it already operated as well as expanding into new markets.

2012 SALE OF SMARTSTREET

Effective October 26, 2012, PNC divested certain deposits and assets of the Smartstreet business unit, which was acquired by PNC as part of the RBC Bank (USA) acquisition, to Union Bank, N.A. Smartstreet is a nationwide business focused on homeowner or community association managers and had approximately $1 billion of assets and deposits as of September 30, 2012. The gain on sale was immaterial and we reduced goodwill and core deposit intangibles by $46 million and $13 million, respectively.

REVIEW OF BUSINESS SEGMENTS

In addition to the following information relating to our lines of business, we incorporate the information under the captions Business Segment Highlights and Business Segments Review in Item 7 of this Report here by reference. Also, we include the financial and other information by business in Note 26 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report here by reference.

Assets, revenue and earnings attributable to foreign activities were not material in the periods presented. Business segment results for periods prior to 2013 have been reclassified to reflect current methodologies and current business and management structure and to present those periods on the same basis.

Retail Banking provides deposit, lending, brokerage, 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, ATMs, call centers, online banking and mobile channels. The branch network is located primarily in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina.

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

Corporate & Institutional Banking provides lending, treasury management, and capital markets-related products and services to mid-sized and large corporations, government and not-for-profit entities. 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, securities, loan syndications and mergers and acquisitions advisory and related services to middle-market companies. We also provide commercial loan servicing, and real estate advisory and technology solutions, for the commercial real estate finance industry. Products and services are generally provided within our primary geographic markets, with certain products and services offered nationally and internationally.

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

Asset Management Group includes personal wealth management for high net worth and ultra high net worth clients and institutional asset management. Wealth management products and services include investment and retirement 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 administration and retirement administration services. Institutional clients include corporations, unions, municipalities, non-profits, foundations and endowments, primarily located in our geographic footprint.

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

Residential Mortgage Banking directly originates first lien residential mortgage loans, on a nationwide basis with a significant presence within the retail banking footprint, and originates loans through majority owned affiliates. 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 secondary mortgage conduits of Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks and third-party investors, or are securitized and issued under the Government National Mortgage Association (GNMA) program, as described in more detail in Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in Item 8 of this Report and included here by reference. 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 loan applications are brokered by majority owned affiliates to others.

Residential Mortgage Banking is focused on adding value to the PNC franchise by building stronger customer relationships, providing quality investment loans and delivering acceptable returns consistent with our desired risk appetite. A strategic priority for PNC is to build a stronger residential mortgage business offering seamless delivery to customers while improving efficiencies. Our national distribution capability provides volume that drives economies of scale, risk dispersion and cost-effective extension of the retail banking footprint for cross-selling opportunities.

BlackRock is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. BlackRock provides diversified investment management services to institutional clients, intermediary investors and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*® exchange-traded funds (ETFs), collective investment trusts and separate accounts. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

We hold an equity investment in BlackRock, which is a key component of our diversified revenue strategy. BlackRock is a publicly traded company, and additional information regarding its business is available in its filings with the Securities and Exchange Commission (SEC).

Non-Strategic Assets Portfolio includes a consumer portfolio of mainly residential mortgage and brokered home equity loans and lines of credit, and a small commercial loan and lease portfolio. We obtained a significant portion of these non-strategic assets through acquisitions of other companies.

SUBSIDIARIES

Our corporate legal structure at December 31, 2013 consisted of one domestic subsidiary bank, including its subsidiaries, and approximately 130 active non-bank subsidiaries. Our bank subsidiary is PNC Bank, National Association (PNC Bank, N.A.), headquartered in Pittsburgh, Pennsylvania. For additional information on our subsidiaries, see Exhibit 21 to this Report.

STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

The following statistical information is included on the indicated pages of this Report and is incorporated herein by reference:

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Average Consolidated Balance Sheet And Net Interest Analysis	223-224
Analysis Of Year-To-Year Changes In Net Interest Income	225
Book Values Of Securities	43-44 and 149-154
Maturities And Weighted-Average Yield Of Securities	153-154
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Summary Of Loan Loss Experience	82-84, 131-148 and 228
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Average Amount And Average Rate Paid On Deposits	223-224
Time Deposits Of $100,000 Or More	176 and 229
Selected Consolidated Financial Data	28-29
Short-term borrowings – not included as average balances during 2013, 2012, and 2011 were less than 30% of total shareholders' equity at the end of each period.	

EUROPEAN EXPOSURE

For information regarding our exposure to European entities at December 31, 2013 and December 31, 2012, see the European Exposure section included in Item 7 of this Report.

SUPERVISION AND REGULATION

PNC is a bank holding company registered under the Bank Holding Company Act of 1956 as amended (BHC Act) and a financial holding company under the Gramm-Leach-Bliley Act.

We are subject to numerous governmental regulations, some of which are highlighted below. See Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information regarding our regulatory matters. Applicable laws and regulations restrict our permissible activities and investments, impose conditions and requirements on the products and services we offer and the manner in which they are offered and sold, and require compliance with protections for loan, deposit, brokerage, fiduciary, investment management and other customers, among other things. They also restrict our ability to repurchase stock or pay dividends, or to receive dividends from our bank subsidiary, and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions.

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

The Consumer Financial Protection Bureau (CFPB) is responsible for examining PNC Bank, N.A. and its affiliates (including PNC) for compliance with most federal consumer financial protection laws, including the laws relating to fair lending and prohibiting unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products or services, and for enforcing such laws with respect to PNC Bank, N.A. and its affiliates.

The results of the CFPB's examinations, which are not publicly available, also can result in restrictions or limitations on the operations of a regulated entity as well as enforcement actions against a regulated entity, including the imposition of monetary penalties.

We also are subject to regulation by the SEC by virtue of our status as a public company and by the SEC and the Commodity Futures Trading Commission (CFTC) due to the nature of some of our businesses. Our banking and securities businesses with operations outside the United States, including those conducted by BlackRock, are also subject to regulation by appropriate authorities in the foreign jurisdictions in which they do business.

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

We anticipate new legislative and regulatory initiatives over the next several years, focused specifically on banking and other financial services in which we are engaged. Legislative and regulatory developments to date, as well as those that come in the future, have had and are likely to continue to have an impact on the conduct of our business. The more detailed description of the significant regulations to which we are subject included in this Report is based on the current regulatory environment and is subject to potentially material change. See also the additional information included in Item 1A of this Report under the risk factors discussing the impact of financial regulatory reform initiatives, including Dodd-Frank and regulations promulgated to implement it, on the regulatory environment for PNC and the financial services industry.

Among other areas that have been receiving a high level of regulatory focus over the last several years are compliance with the Bank Secrecy Act and anti-money laundering laws, the oversight of arrangements with third-party vendors and suppliers, and the protection of confidential customer information. In addition, there is an increased focus on fair lending and other consumer protection issues.

Additional legislation, changes in rules promulgated by federal financial regulators, other federal and state regulatory authorities and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules, may directly affect the method of operation and profitability of our businesses. The profitability of our businesses could also be affected by rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce.

There are numerous rules governing the regulation of financial services institutions and their holding companies. Accordingly, the following discussion is general in nature and does not purport to be complete or to describe all of the laws, regulations and supervisory policies that apply to us. To a substantial extent, the purpose of the regulation and supervision of financial services institutions and their holding companies is not to protect our shareholders and our non-customer creditors, but rather to protect our customers (including depositors) and the financial markets in general.

Dodd-Frank Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed into law on July 21, 2010, comprehensively reforms the regulation of financial institutions, products and services. Dodd-Frank requires various federal regulatory agencies to implement numerous new rules and regulations. Because federal agencies are granted broad discretion in drafting these rules and regulations, and many implementing rules have not yet been issued, have only been issued in proposed form, or have only recently been finalized, many of the details and much of the impact of Dodd-Frank may not be known for months or years. Among other things, Dodd-Frank established the CFPB; provides for new capital standards that eliminate the treatment of trust preferred securities as Tier 1 regulatory capital; requires that deposit insurance assessments be calculated based on an insured depository institution's assets rather than its insured deposits; raises the minimum Designated Reserve Ratio (the balance in the Deposit Insurance Fund divided by estimated insured deposits) to 1.35%; establishes a comprehensive regulatory regime for the derivatives activities of financial institutions; prohibits banking entities from engaging in certain types of proprietary trading, as well as having investments in, sponsoring, and maintaining certain types of relationships with hedge funds and private equity funds (through provisions commonly referred to as the "Volcker Rule"); places limitations on the interchange fees charged for debit card transactions; and establishes new minimum mortgage underwriting standards for residential mortgages.

Dodd-Frank also established the 10-member inter-agency Financial Stability Oversight Council (FSOC), which is charged with identifying systemic risks and strengthening the regulation of financial holding companies and certain non-bank companies deemed to be "systemically important." In extraordinary cases, the FSOC, in conjunction with the Federal Reserve, could order the break-up of financial firms that are deemed to present a grave threat to the financial stability of the United States. Dodd-Frank requires the Federal Reserve to establish enhanced prudential standards for bank holding companies with total consolidated assets of $50 billion or more, such as PNC, as well as systemically important non-bank financial companies designated by the FSOC for Federal Reserve supervision. For bank holding companies, these enhanced standards must be more stringent than the standards and requirements applicable to bank holding companies with less than $50 billion in assets, and must increase in stringency for bank holding companies that present heightened risk to the financial system. The FSOC may make recommendations to the Federal Reserve concerning the establishment and refinement of these enhanced prudential standards. In February 2014, the Federal Reserve issued final rules that establish the new enhanced prudential standards related to liquidity risk management and overall risk management. These new rules, which become effective for PNC as of January 1, 2015, among other things, require that covered bank holding companies conduct liquidity stress tests at least monthly, maintain a contingency funding plan and sufficient highly liquid assets to meet net stress cash-flow needs (as determined under the company's liquidity stress tests) for 30 days, and establish certain oversight, governance and reporting responsibilities for the chief risk officer and risk committee of the Board of Directors of a covered company. In addition, the new rules implement the provisions of Dodd-Frank that require the Federal Reserve to impose a maximum 15-to-1 debt to equity ratio on a bank holding company if the FSOC determines that the company poses a grave threat to the financial stability of the United States and that the imposition of such a debt-to-equity requirement would mitigate such risk. The rules issued in February 2014 did not finalize the other enhanced prudential standards that the Federal Reserve proposed in December 2011 for bank holding companies with $50 billion or more in assets, including counterparty credit exposure limits and early remediation requirements, although the Federal Reserve has indicated that these matters remain under development. See the Recent Market and Industry Developments portion of Item 7 MD&A and Item 1A Risk Factors for additional information.

BANKING REGULATION AND SUPERVISION

Regulatory Capital Requirements, Stress Testing and Capital Planning. PNC and PNC Bank, N.A. are subject to the regulatory capital requirements established by the Federal Reserve and the OCC, respectively. These requirements are currently the subject of significant changes as a result of the rules adopted by the U.S. banking agencies in July 2013 to implement the new international guidelines for determining regulatory capital established by the Basel Committee on Bank Supervision (Basel Committee) known as "Basel III," as well as to implement certain provisions of Dodd-Frank. The rules adopted in July 2013 generally have three fundamental parts.

The first part, referred to as the Basel III capital rule, among other things, narrows the definition of regulatory capital, requires banking organizations with $15 billion or more in assets (including PNC) to phase-out trust preferred securities from Tier 1 regulatory capital, establishes a new Tier 1 common capital requirement for banking organizations, and revises the capital levels at which PNC and the PNC Bank, N.A. would be subject to prompt corrective action. These rules also require that significant common stock investments in unconsolidated financial institutions (as defined in the rule), as well as mortgage servicing rights and deferred tax assets, be deducted from Tier 1 common regulatory capital to the extent such items individually exceed 10%, or in the aggregate exceed 15%, of the organization's adjusted Tier 1 common capital. The Basel III capital rule also significantly limits the extent to which minority interests in consolidated subsidiaries (including minority interests in the form of REIT preferred securities) may be included in regulatory capital. In addition, for banking organizations, like PNC, that are subject to the advanced approaches (described below), the rule includes other comprehensive income related to both available for sale securities and pension and other post-retirement plans as a component of Tier 1 common capital. The Basel III capital rule became effective on January 1, 2014, for PNC and PNC Bank, N.A., although many provisions are phased-in over a period of years, with the rules generally fully phased-in as of January 1, 2019.

The second part of the rules adopted in July 2013 is referred to as the advanced approaches and materially revises the framework for the risk-weighting of assets under Basel II. The Basel II framework, which was adopted by the Basel Committee in 2004, seeks to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. The advanced approaches modifications adopted by the U.S. banking agencies became effective on January 1, 2014, and generally apply to banking organizations that have $250 billion or more in total consolidated assets or that have $10 billion or more in on-balance sheet foreign exposure. Prior to fully implementing the advanced approaches to calculate risk-weighted assets, PNC and PNC Bank, N.A. must successfully complete a "parallel run" qualification phase. PNC and PNC Bank, N.A. entered this parallel run qualification phase on January 1, 2013. This phase must last at least four consecutive quarters, although, consistent with the experience of other U.S. banks, we currently anticipate a multi-year parallel run period.

The third major part of the rules adopted in July 2013 is referred to as the standardized approach and materially revises the framework for the risk-weighting of assets under Basel I. The standardized approach, for example, establishes a new framework for the risk-weighting of securitization and non-U.S. sovereign exposures, and increases the risk-weights on certain types of assets including high-volatility commercial real estate and past due corporate and retail exposures. The standardized approach will become effective on January 1, 2015.

The risk-based capital and leverage rules that the federal banking regulators have adopted require the capital-to-assets ratios of banking organizations, including PNC and PNC

Bank, N.A., to meet certain minimum standards. The Basel III rule generally divides capital into three components: Tier 1 common capital, additional Tier 1 capital (which, together, with Tier 1 common capital comprises Tier 1 capital) and Tier 2 capital. Tier 1 common is generally common stock, retained earnings, qualifying minority interest and, for advanced approaches banking organizations, accumulated other comprehensive income, less the deductions required to be made from Tier 1 common equity. Additional Tier 1 generally includes, among other things, perpetual preferred stock and qualifying minority interests, less the deductions required to be made from additional Tier 1. Tier 2 capital generally comprises qualifying subordinated debt. Total capital is the sum of Tier 1 and Tier 2 capital, less the deductions required from total capital. For additional information regarding the differences between Basel III and Basel I Tier 1 common capital, see the Funding and Capital Sources section of the Consolidated Balance Sheet Review section of Item 7 of this Report.

Under the capital rules, a banking organization's risk-based capital ratios are calculated by allocating assets and specified off-balance sheet financial instruments into risk-weighted categories (with higher levels of capital being required for the categories perceived as representing greater risk), which are used to determine the amount of a banking organization's total risk-weighted assets (RWAs). Under the Basel I framework and the standardized approach, the nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are multiplied by one of several risk adjustment percentages that are set forth in the rules that increase as the perceived credit risk of the relevant asset increases.

The Basel I regulatory capital ratios of PNC and PNC Bank, N.A. as of December 31, 2013 exceeded the applicable minimum levels in effect for 2013. For additional information regarding the Basel I capital ratios of PNC and PNC Bank, N.A. as of December 31, 2013, as well as the levels necessary to exceed the regulatory minimums or be considered "well capitalized", see the Funding and Capital Sources portion of the Consolidated Balance Sheet Review section of Item 7 of this Report. When fully phased-in on January 1, 2019, the Basel III capital rule will require that banking organizations maintain a minimum Tier 1 common ratio of 4.5%, a Tier 1 capital ratio of 6.0%, and a total capital ratio of 8.0%. Moreover, when fully phased-in, the rule will require banking organizations to maintain a Tier 1 common ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a total capital ratio of at least 10.5% to avoid limitations on capital distributions (including common stock dividends and share repurchases) and certain discretionary incentive compensation payments. For banking organizations that are subject to the advanced approaches, these higher capital conservation buffer levels above the regulatory minimums could be supplemented by a countercyclical capital buffer of up to an additional 2.5% during periods of excessive credit growth, although this buffer is initially set at zero in the United States.

The regulatory capital framework adopted by the federal banking regulators also requires that banking organizations maintain a minimum amount of Tier 1 capital to average consolidated assets, referred to as the leverage ratio. Under both Basel I and Basel III, banking organizations generally are required to maintain a minimum leverage ratio of Tier 1 capital to total assets of 4.0%. The Basel I rules in effect during 2013, however, also permitted a banking organization to meet its minimum leverage requirement if it had a leverage ratio of 3% and was rated Composite 1 in its most recent report of examination, subject to appropriate federal banking guidelines. As of December 31, 2013, the leverage ratios of PNC and PNC Bank, N.A. were above the required minimum level. Under the Basel III capital rule, banking organizations subject to the advanced approaches (such as PNC and PNC Bank, N.A.) also will be subject to a new minimum 3.0% supplementary leverage ratio that becomes effective on January 1, 2018, with public reporting of the ratio beginning in 2015. Unlike the existing leverage ratio, the denominator of the supplementary leverage ratio takes into account certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts. The Basel Committee in January 2014 issued revisions to the supplementary leverage requirements of the Basel III framework, although it is not clear at this time to what extent these revisions will be incorporated by the U.S. banking agencies into the U.S. capital rules. In August 2013, the U.S. banking agencies requested comment on a proposed rule that would raise the supplemental leverage ratio for U.S. bank holding companies that have $700 billion or more in total consolidated assets or $10 trillion or more in assets under custody and for the insured depository institution subsidiaries of these bank holding companies. Based on the asset and custody thresholds included in the proposed rule, PNC and PNC Bank, N.A. would not be subject to this higher proposed supplemental leverage ratio.

As a result of the staggered effective dates of the final U.S. capital rules issued in July 2013, as well as the fact that PNC remains in the parallel run qualification phase for the advanced approaches, PNC's regulatory risk-based capital ratios in 2014 will be based on the definitions of, and deductions from, capital under the Basel III capital rule (as such definitions and deductions are phased-in for 2014) and its Basel I risk-weighted assets (but subject to certain adjustments set forth in the rules). After January 1, 2015, and until PNC has exited parallel run, PNC's regulatory risk-based Basel III ratios will be calculated using the standardized approach for risk-weights. Once PNC exits parallel run, its regulatory Basel III risk-based capital ratios will be the lower of the ratios calculated under the standardized approach or the advanced approaches.

Failure to meet applicable capital guidelines could subject a banking organization to a variety of enforcement remedies available to the federal bank regulatory agencies, including a limitation on the ability to pay dividends, the issuance of a capital directive to increase capital and, in severe cases, the termination of deposit insurance by the FDIC, and the appointment of a conservator or receiver. In some cases, the extent of these powers depends upon whether the institution in question is considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Generally, the smaller an institution's capital base in relation to its risk-weighted or total assets, the greater the scope and severity of the agencies' powers, ultimately permitting the agencies to appoint a receiver for the institution. Business activities may also be influenced by an institution's capital classification. For instance, only a "well capitalized" insured depository institution may accept brokered deposits without prior regulatory approval and an "adequately capitalized" insured depository institution may accept brokered deposits only with prior regulatory approval. In addition, in order to remain a financial holding company and engage in the broader range of financial activities authorized for such a company, PNC and PNC Bank, N.A. must remain "well capitalized". At December 31, 2013, PNC and PNC Bank, N.A. exceeded the required ratios for classification as "well capitalized." For additional discussion of capital adequacy requirements, we refer you to the Funding and Capital Sources portion of the Consolidated Balance Sheet Review section of Item 7 of this Report and to Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report.

In addition to these regulatory capital requirements, PNC is subject to the Federal Reserve's capital plan rule, annual capital stress testing requirements and Comprehensive Capital Analysis and Review (CCAR) process, as well as the annual and mid-year Dodd-Frank capital stress testing (DFAST) requirements of the Federal Reserve and the OCC. As part of the CCAR process, the Federal Reserve undertakes a supervisory assessment of the capital adequacy of bank holding companies (BHCs), including PNC, that have $50 billion or more in total consolidated assets. This capital adequacy assessment is based on a review of a comprehensive capital plan submitted by each participating BHC to the Federal Reserve that describes the company's planned capital actions during the nine quarter review period, as well as the results of stress tests conducted by both the company and the Federal Reserve under different hypothetical macro-economic scenarios, including a supervisory adverse and a severely adverse scenario provided by the Federal Reserve. In evaluating a BHC's capital plan, the Federal Reserve considers a number of factors, including the company's risk profile, the strength of the company's internal capital assessment process, and whether under different hypothetical macro-economic scenarios, including the supervisory severely stressed scenario, the company would be able to maintain throughout each quarter of the nine quarter planning horizon, even if it maintained its base case planned capital actions, (i) a projected pro forma Basel I Tier 1 common capital ratio above 5 percent, and (ii) regulatory risk-based and leverage capital ratios that exceed the minimums that are, or would then be, in effect for the company, taking into account the capital rules adopted in July 2013 and any applicable phase-in periods. In addition, the Federal Reserve evaluates a company's projected path towards compliance with the Basel III regulatory capital framework on a fully implemented basis. After completing its review, the Federal Reserve may object or not object to the firm's proposed capital actions, such as plans to pay or increase common stock dividends, reinstate or increase common stock repurchase programs, or redeem preferred stock or other regulatory capital instruments. In connection with the 2014 CCAR, PNC filed its capital plan and stress testing results using financial data as of September 30, 2013 with the Federal Reserve on January 6, 2014. PNC expects to receive the Federal Reserve's response (either a non-objection or objection) to the capital plan submitted as part of the 2014 CCAR in March 2014.

As part of the CCAR and DFAST process, both the Federal Reserve and PNC release certain revenue, loss and capital results from their stress testing exercises, generally in March of each year. For the 2014 exercises, the Federal Reserve has announced that it intends to publish its supervisory revenue, loss and capital projections for participating bank holding companies under the supervisory adverse and severely adverse macro-economic scenarios using the common assumptions concerning capital distributions established by the Federal Reserve in its DFAST regulations (DFAST capital action assumptions), as well as capital ratio information using the firm's proposed base case capital actions. PNC also is required to publicly disclose its own estimates of certain capital, revenue and loss information under the same hypothetical supervisory severely adverse macro-economic scenario and applying the DFAST capital action assumptions. Federal Reserve regulations also require that PNC and other large bank holding companies conduct a separate mid-year stress test using financial data as of March 31st and three company-derived macro-economic scenarios (base, adverse and severely adverse) and publish a summary of the results under the severely adverse scenario in September.

Basel III Liquidity Requirements. The Basel III framework adopted by the Basel Committee also includes new short-term liquidity standards (the "Liquidity Coverage Ratio" or "LCR") and long-term funding standards (the "Net Stable Funding Ratio" or "NSFR").

In October 2013, the U.S. banking agencies requested comment on proposed rules that would implement the LCR. The proposed rules are designed to ensure that covered banking organizations maintain an adequate level of cash and high quality, unencumbered liquid assets (HQLA) to meet estimated net liquidity needs in a short-term stress scenario using liquidity inflow, outflow and maturity assumptions provided in the rules (net cash outflow). An institution's LCR is the amount of its HQLA, as defined and calculated in accordance with the haircuts and limitations in the rule, divided by its net cash outflow, with the quotient expressed as a ratio. Under the proposed rules, banking organizations, including PNC and PNC Bank, N.A., that are subject to the advanced approaches for regulatory capital purposes would, following a phase-in period that is proposed to begin January 1, 2015, have to maintain an LCR equal to at least 1.0 based on the entity's highest daily projected level of net cash outflows over the next 30 calendar days. Under the phase-in provisions of the proposed rules, banking organizations would have to maintain HQLA equal to 80% of their LCR requirement beginning in 2015 and 90% in 2016, with the LCR requirement becoming fully implemented in 2017. The comment period on the proposed rules closed on January 31, 2014. Although the impact on PNC will not be fully known until the rules are final, PNC has taken several actions to prepare for implementation of the LCR and we expect to be in compliance with the LCR requirements when they become effective.

The NSFR is designed to promote a stable maturity structure of assets and liabilities of banking organizations over a one-year time horizon. The Basel Committee, in January 2014, requested comment on a revised NSFR framework, with comments due by April 11, 2014. Under the revised framework, the NSFR would take effect by January 1, 2018, although the U.S. banking agencies have not yet proposed rules to implement the NSFR.

Parent Company Liquidity and Dividends. The principal source of our liquidity at the parent company level is dividends from PNC Bank, N.A. PNC Bank, N.A. is subject to various federal restrictions on its ability to pay dividends to PNC Bancorp, Inc., its direct parent, which is a wholly-owned direct subsidiary of PNC. PNC Bank, N.A. is also subject to federal laws limiting extensions of credit to its parent holding company and non-bank affiliates as discussed in Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report. Further information on bank level liquidity and parent company liquidity and on certain contractual restrictions is also available in the Liquidity Risk Management portion of the Risk Management section and the Trust Preferred Securities and REIT Preferred Securities portion of the Off-Balance Sheet Arrangements And Variable Interest Entities section of Item 7 of this Report, and in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Federal Reserve rules provide that a bank holding company is expected to serve as a source of financial strength to its subsidiary banks and to commit resources to support such banks if necessary. Consistent with the "source of strength" policy for subsidiary banks, the Federal Reserve has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the corporation's capital needs, asset quality and overall financial condition. Further, in providing guidance to the large BHCs participating in the 2014 CCAR, discussed above, the Federal Reserve stated that it expects capital plans submitted in 2014 will reflect conservative dividend payout ratios and net share repurchase programs, and that requests that imply common dividend payout ratios above 30% of projected after-tax net income available to common shareholders will receive particularly close scrutiny. The Federal Reserve also has stated that it expects BHCs that meet the minimum capital ratio requirements under the Basel III capital rule during the transition periods provided by the rule, but that do not meet the fully-phased in Basel III minimum plus capital conservation buffer ratio levels (plus any applicable capital surcharge for globally systemically important banks), to maintain prudent earnings retention policies with a view to meeting these levels in accordance with the phase-in schedule included in the Basel III capital rule.

Additional Powers Under the GLB Act. The Gramm-Leach-Bliley Act (GLB Act) permits a qualifying bank holding company to become a "financial holding company" and thereby engage in, or affiliate with financial companies engaging in, a broader range of activities than would otherwise be permitted for a bank holding company. Permitted affiliates include securities underwriters and dealers, insurance companies and companies engaged in other activities that are determined by the Federal Reserve, in consultation with the Secretary of the Treasury, to be "financial in nature or incidental thereto" or are determined by the Federal Reserve unilaterally to be "complementary" to financial activities. We became a financial holding company as of March 13, 2000. In order to be and remain a financial holding company, a bank holding company and its subsidiary depository institutions must be "well capitalized" and "well managed." In addition, a financial holding company generally may not engage in a new financial activity, or acquire a company engaged in a new activity, if any of its insured depository institutions received a less than Satisfactory rating at its most recent evaluation under the Community Reinvestment Act (CRA). Among other activities, we currently rely on our status as a financial holding company to conduct merchant banking activities and securities underwriting and dealing activities. As subsidiaries of a financial holding company under the GLB Act, our non-bank subsidiaries are generally allowed to conduct new financial activities, and PNC is generally permitted to acquire non-bank financial companies that have less than $10 billion in assets, with after-the-fact notice to the Federal Reserve.

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

In addition, the GLB Act permits qualifying national banks to engage in expanded activities through the formation of a "financial subsidiary." PNC Bank, N.A. has filed a financial subsidiary certification with the OCC and currently engages in insurance agency activities through financial subsidiaries. PNC Bank, N.A. may also generally engage through a financial subsidiary in any activity that is determined to be financial in nature or incidental to a financial activity by the Secretary of the Treasury, in consultation with the Federal Reserve. Certain activities, however, are impermissible for a financial subsidiary of a national bank, including certain insurance underwriting activities, insurance company investment activities, real estate investment or development, and merchant banking. In order to have a financial subsidiary, a national bank and each of its depository institution affiliates must be and remain "well capitalized" and "well managed." In addition, a financial subsidiary generally may not engage in a new financial activity, or acquire a company engaged in a new financial activity, if the national bank and any of its insured depository institution affiliates received a less than Satisfactory rating at its most recent evaluation under the CRA.

Volcker Rule. In December 2013, the U.S. banking agencies, SEC and CFTC issued final rules to implement the "Volcker Rule" provisions of Dodd-Frank. The rules prohibit banks and their affiliates (collectively, banking entities) from trading as principal in securities, derivatives and certain other financial instruments, but also includes several important exclusions and exemptions from this prohibition. These exclusions and exemptions, for example, permit banking entities, subject to a variety of conditions and restrictions, to trade for market making, risk mitigating hedging, liquidity management, and securities underwriting purposes, and to trade in U.S. government and municipal securities. The rules also prohibit banking entities from investing in, sponsoring, and having certain financial relationships with private funds (such as, for example, private equity or hedge funds that would be an investment company for purposes of the Investment Company Act of 1940 but for the exemptions in sections 3(c)(1) or 3(c)(7) of that act) that are covered by the final rules (covered funds). Again there are exemptions from these restrictions which themselves are subject to a variety of conditions. Moreover, the rules prohibit banking entities from engaging in permitted trading or covered fund activities if the activity would involve or result in a material conflict of interest between the banking entity and its clients, customers, or counterparties, result in a material exposure by the banking entity to a high-risk asset or a high-risk trading strategy, or pose a threat to the safety and soundness of the banking entity or to the financial stability of the United States. Banking entities, like PNC, that have $50 billion or more in total assets are required to establish and maintain an extensive and detailed enhanced compliance program designed to ensure that the entity complies with the requirements of the final rule.

The Federal Reserve issued an order in December 2013 that provides banking entities until July 21, 2015 to bring their activities and investments into conformance with the requirements of the Volcker Rule. The Federal Reserve, upon request, may extend this conformance period, either generally or with respect to particular activities or investments, for up to two additional one-year periods, and may extend the period up to an additional 5 years for investments held as of May 1, 2010 in qualifying illiquid funds. Based on the level of PNC's trading assets and liabilities, PNC is not subject to the metrics reporting requirements of the final rules. For additional information concerning the potential impact of the Volcker Rule on PNC's operations, please refer to Item 1A Risk Factors of this Report.

Other Federal Reserve and OCC Regulation and Supervision. The federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution and its holding company.

Laws and regulations limit the scope of our permitted activities and investments. National banks (such as PNC Bank, N.A.) and their operating subsidiaries generally may engage only in any activities that are determined by the OCC to be part of or incidental to the business of banking, although a financial subsidiary may engage in a broader range of activities as described above.

Moreover, examination ratings of "3" or lower, lower capital ratios than peer group institutions, regulatory concerns regarding management, controls, assets, operations or other factors, can all potentially result in practical limitations on the ability of a bank or bank holding company to engage in new activities, grow, acquire new businesses, repurchase its stock or pay dividends, or to continue to conduct existing activities. The OCC, moreover, has been applying certain heightened risk management and governance expectations in its supervision of PNC Bank, N.A. and other large national banks and recently proposed incorporating these expectations into the agency's safety and soundness guidelines established under section 39 of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1831p-1). If the OCC determines that a national bank is not in compliance with these or other guidelines established under section 39 of the FDI Act, the OCC may require the bank to submit a corrective action plan and may initiate enforcement action against the bank if an acceptable plan is not submitted or the bank fails to comply with an approved plan.

The Federal Reserve's prior approval is required whenever we propose to acquire all or substantially all of the assets of any bank or thrift, to acquire direct or indirect ownership or control of more than 5% of any class of voting securities of any bank or thrift, or to merge or consolidate with any other bank holding company or thrift holding company. The BHC Act enumerates the factors the Federal Reserve must consider when reviewing the merger of bank holding companies, the acquisition of banks, or the acquisition of voting securities of a bank or bank holding company. These factors include the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the effect of the transaction on financial stability of the United States; the organizations' compliance with anti-money laundering laws and regulations; the convenience and needs of the communities to be served; and the records of performance under the CRA of the insured depository institutions involved in the transaction. In cases involving interstate bank acquisitions, the Federal Reserve also must consider the concentration of deposits nationwide and in certain individual states. OCC prior approval is required for PNC Bank, N.A. to acquire another insured bank or thrift by merger. In deciding whether to approve such a transaction, the OCC is required to consider factors similar to those that must be considered by the Federal Reserve. Our ability to grow through acquisitions could be limited by these approval requirements.

At December 31, 2013, PNC Bank, N.A. was rated "Outstanding" with respect to CRA.

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

FDIC Insurance. PNC Bank, N.A. is insured by the FDIC and subject to premium assessments. Regulatory matters could increase the cost of FDIC deposit insurance premiums to an insured bank as FDIC deposit insurance premiums are "risk based." Therefore, higher fee percentages would be charged to banks that have lower capital ratios or higher risk profiles. These risk profiles take into account, among other things, weaknesses that are found by the primary banking regulator through its examination and supervision of the bank and the bank's holdings of assets classified as higher risk by the FDIC. A negative evaluation by the FDIC or a bank's primary federal banking regulator could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category. The methodology for the deposit insurance base calculation currently uses average assets less Tier 1 capital.

Resolution Planning. Dodd-Frank requires bank holding companies that have $50 billion or more in assets, such as PNC, to periodically submit to the Federal Reserve and the FDIC a resolution plan that includes, among other things, an analysis of how the company could be resolved in a rapid and orderly fashion if the company were to fail or experience material financial distress. The Federal Reserve and the FDIC may jointly impose restrictions on a covered bank holding company, including additional capital requirements or limitations on growth, if the agencies jointly determine that the company's plan is not credible or would not facilitate a rapid and orderly resolution of the company under the U.S. Bankruptcy Code (or other applicable resolution framework), and additionally could require the company to divest assets or take other actions if the company did not submit an acceptable resolution plan within two years after any such restrictions were imposed. The FDIC also has adopted a rule that requires large insured depository institutions, including PNC Bank, N.A., to periodically submit a resolution plan to the FDIC that includes, among other things, an analysis of how the institution could be resolved under the FDI Act in a manner that protects depositors and limits losses or costs to creditors of the bank in accordance with the FDI Act. Depending on how the agencies conduct their review of the resolution plans submitted by PNC and PNC Bank, N.A., these requirements could affect the ways in which PNC structures and conducts its business and result in higher compliance and operating costs. PNC and PNC Bank, N.A. submitted their first resolution plans under these rules in December 2013.

CFPB Regulation and Supervision. As noted above, Dodd-Frank gives the CFPB authority to examine PNC and PNC Bank, N.A. for compliance with a broad range of federal consumer financial laws and regulations, including the laws and regulations that relate to credit card, deposit, mortgage and other consumer financial products and services we offer. In addition, Dodd-Frank gives the CFPB broad authority to take corrective action against PNC Bank, N.A. and PNC as it deems appropriate. The CFPB also has powers that it was assigned in Dodd-Frank to issue regulations and take enforcement actions to prevent and remedy acts and practices relating to consumer financial products and services that it deems to be unfair, deceptive or abusive. The agency also has authority to impose new disclosure requirements for any consumer financial product or service. These authorities are in addition to the authority the CFPB assumed on July 21, 2011 under existing consumer financial law governing the provision of consumer financial products and services. The CFPB has concentrated much of its initial rulemaking efforts on a variety of mortgage related topics required under Dodd-Frank, including ability-to-repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, appraisal and escrow standards and requirements for higher-priced mortgages.

In January 2014, new rules issued by the CFPB for mortgage origination and mortgage servicing became effective. The rules require lenders to conduct a reasonable and good faith determination at or before consummation of a residential mortgage loan that the borrower will have a reasonable ability to repay the loan. The regulations also define criteria for making Qualified Mortgages which entitle the lender and any assignee to either a conclusive or rebuttable presumption of compliance with the ability to repay rule. The new mortgage servicing rules include new standards for notices to consumers, loss mitigation procedures, and consumer requests for information. Both the origination and servicing rules create new private rights of action for consumers in the event of certain violations. In addition to the exercise of its rulemaking authority, the CFPB is continuing its ongoing examination and supervisory activities with respect to a number of consumer businesses and products.

SECURITIES AND DERIVATIVES REGULATION

Our registered broker-dealer and investment adviser subsidiaries are subject to rules and regulations promulgated by the SEC.

Several of our subsidiaries are registered with the SEC as investment advisers and may provide investment advisory services to clients, other PNC affiliates or related entities, including registered investment companies. Certain of these advisers are registered as investment advisers to private equity funds under rules adopted under Dodd-Frank.

Broker-dealer subsidiaries are subject to the requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder. The Financial Industry Regulatory Authority (FINRA) is the primary self-regulatory organization (SRO) for our registered broker-dealer subsidiaries. Investment adviser subsidiaries are subject to the requirements of the Investment Advisers Act of 1940, as amended, and the regulations thereunder. An investment adviser to a registered investment company is also subject to the requirements of the Investment Company Act of 1940, as amended, and the regulations thereunder. Our broker-dealer and investment adviser subsidiaries also are subject to additional regulation by states or local jurisdictions.

Over the past several years, the SEC and other regulatory agencies have increased their focus on the mutual fund and broker-dealer industries. Congress and the SEC have adopted regulatory reforms and are considering additional reforms that have increased, and are likely to continue to increase, the extent of regulation of the mutual fund and broker-dealer industries and impose additional compliance obligations and costs on our subsidiaries involved with those industries. Under provisions of the federal securities laws applicable to broker-dealers, investment advisers and registered investment companies and their service providers, a determination by a court or regulatory agency that certain violations have occurred at a company or its affiliates can result in fines, restitution, a limitation on permitted activities, disqualification to continue to conduct certain activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations can also affect a public company in its timing and ability to expeditiously issue new securities into the capital markets. In addition, certain changes in the activities of a broker-dealer require approval from FINRA, and FINRA takes into account a variety of considerations in acting upon applications for such approval, including internal controls, capital levels, management experience and quality, prior enforcement and disciplinary history and supervisory concerns.

Title VII of Dodd-Frank imposes new comprehensive and significant regulations on the activities of financial institutions that are active in the U.S. over-the-counter (“OTC”) derivatives and foreign exchange markets. Title VII was enacted to (i) address systemic risk issues, (ii) bring greater transparency to the derivatives markets, (iii) provide enhanced disclosures and protection to customers, and (iv) promote market integrity. Among other things, Title VII: (i) requires the registration of both “swap dealers” and “major swap participants” with one or both of the CFTC (in the case of non security-based swaps) and the SEC (in the case of security-based swaps); (ii) requires that most standardized swaps be centrally cleared through a regulated clearing house and traded on a centralized exchange or swap execution facility; (iii) subjects swap dealers and major swap participants to capital and margin requirements in excess of historical practice; (iv) subjects swap dealers and major swap participants to comprehensive new recordkeeping and real-time public reporting requirements; (v) subjects swap dealers and major swap participants to new business conduct requirements, including the provision of daily marks to counterparties and disclosing to counterparties (pre-execution) the material risks, material incentives, and any conflicts of interest associated with their swap; and (vi) imposes special duties on swap dealers and major swap participants when transacting a swap with a “special entity” (*e.g.*, governmental agency (federal, state or local) or political subdivision thereof, pension plan or endowment).

Based on the definition of a “swap dealer” under Title VII, PNC Bank, N.A. registered with the CFTC as a swap dealer on January 31, 2013. As a result thereof, PNC Bank, N.A. is subject to the regulations and requirements imposed on registered swap dealers, and the CFTC will have a meaningful supervisory role with respect to PNC Bank, N.A.’s derivatives and foreign exchange businesses. Because of the limited volume of our security-based swap activities, PNC Bank, N.A. has not registered with the SEC as a security-based swap dealer. The regulations and requirements applicable to swap dealers will collectively impose implementation and ongoing compliance burdens on PNC Bank, N.A. and will introduce additional legal risks (including as a result of newly applicable antifraud and anti-manipulation provisions and private rights of action).

In addition, an investment adviser to private funds or to registered investment companies may be required to register with the CFTC as a commodity pool operator. Registration could impose significant new regulatory compliance burdens. Presently, we expect our subsidiaries that serve as investment advisers to such entities to be eligible for exemptions from registration as a commodity pool operator.

BlackRock has subsidiaries in securities and related businesses subject to SEC, other governmental agencies, state, local and FINRA regulation, and a federally chartered nondepository trust company subsidiary subject to supervision and regulation by the OCC. For additional information about the regulation of BlackRock by these agencies and otherwise, we refer you to the discussion under the "Regulation" section of Item 1 Business in BlackRock's most recent Annual Report on Form 10-K, which may be obtained electronically at the SEC's website at www.sec.gov.

COMPETITION

We are subject to intense competition from various financial institutions and from non-bank entities that can offer a number of similar products and services without being subject to bank regulatory supervision and restrictions.

In making loans, PNC Bank, N.A. competes with traditional banking institutions as well as consumer finance companies, leasing companies and other non-bank lenders, and institutional investors including collateralized loan obligation (CLO) managers, hedge funds, mutual fund complexes and private equity firms. Loan pricing, structure and credit standards are extremely important in the current environment as we seek to achieve appropriate risk-adjusted returns. Traditional deposit-taking activities are also subject to pricing pressures and to customer migration as a result of intense competition for consumer deposits and investments.

PNC Bank, N.A. competes for deposits with:

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

Our various non-bank businesses engaged in investment banking and alternative investment activities compete with:

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

In providing asset management services, our businesses compete with:

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

We include here by reference the additional information regarding competition and factors affecting our competitive position included in the Item 1A Risk Factors section of this Report.

EMPLOYEES

Employees totaled 54,433 at December 31, 2013. This total includes 49,921 full-time and 4,512 part-time employees, of which 22,226 full-time and 4,030 part-time employees were employed by our Retail Banking business.

SEC REPORTS AND CORPORATE GOVERNANCE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements, and other information with the SEC. Our SEC File Number is 001-09718. You may read and copy this information at the SEC's Public Reference Room located at 100 F Street NE, Room 1580, Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

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

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

We also make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. PNC's corporate internet address is www.pnc.com and you can find this information at www.pnc.com/secfilings. Shareholders and bondholders may also obtain copies of these filings without charge by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus for copies without exhibits, and by contacting Shareholder Relations at 800-843-2206 or via e-mail at investor.relations@pnc.com for copies of exhibits, including financial statement and schedule exhibits where applicable. The interactive data file (XBRL) exhibit is only available electronically.

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. Our PNC Code of Business Conduct and Ethics is available on our corporate website at www.pnc.com/corporategovernance. In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to our directors or executive officers (including our principal executive officer, principal financial officer, and principal accounting officer or controller) will be posted at this internet address.

Shareholders who would like to request printed copies of the PNC Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board's Audit, Nominating and Governance, Personnel and Compensation, or Risk Committees (all of which are posted on the PNC corporate website) may do so by sending their requests to PNC's Corporate Secretary at corporate headquarters at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707. Copies will be provided without charge to shareholders.

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol "PNC."

INTERNET INFORMATION

The PNC Financial Services Group, Inc.'s financial reports and information about its products and services are available on the internet at www.pnc.com. We provide information for investors on our corporate website under "About PNC – Investor Relations," such as Investor Events, Quarterly Earnings, SEC Filings, Financial Information, Financial Press Releases, Regulatory Disclosures and Message from the CEO. Under "Investor Relations," we will from time to time post information that we believe may be important or useful to investors. We use our Twitter account, @pncnews, as an additional way of disseminating public information from time to time to investors. We generally post the following on our corporate website 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 replay audio from earnings and other investor conference calls or events. In some cases, we may post the presentation materials for other investor conference calls or events several days prior to the call or event. 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.

Starting in 2013, PNC is required to provide additional public disclosure regarding estimated income, losses and pro forma regulatory capital ratios under a supervisory hypothetical severely adverse economic scenarios in March of each year and under a PNC-developed hypothetical severely adverse economic scenario in September of each year, as well as information concerning its capital stress testing processes, pursuant to the stress testing regulations adopted by the Federal Reserve and the OCC. PNC also is required to make certain market risk-related public disclosures under the Federal banking agencies' final market risk capital rule that became effective on January 1, 2013 and implements the enhancements to the market risk framework adopted by the Basel Committee (commonly referred to as "Basel II.5"). In addition, pursuant to regulations adopted by the Federal Reserve and the OCC, PNC will be required to make additional regulatory capital-related disclosures beginning in 2015. Under these regulations, PNC may be able to satisfy at least a portion of these requirements through postings on its website, and PNC has done so and expects to continue to do so without also providing disclosure of this information through filings with the Securities and Exchange Commission.

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 the web address of the SEC, 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.

ITEM 1A – RISK FACTORS

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

Our success is dependent on our ability to identify, understand and manage the risks presented by our business activities so that we can appropriately balance revenue generation and profitability. These risks include, but are not limited to, credit risk, market risk, liquidity risk, operational risk, model risk, technology, compliance and legal risk, and strategic and reputation risk. We discuss our principal risk management processes and, in appropriate places, related historical performance in the Risk Management section included in Item 7 of this Report.

The following are the key risk factors that affect us. Any one or more of these risk factors could have a material adverse impact on our business, financial condition, results of operations or cash flows, in addition to presenting other possible adverse consequences, including those described below. These risk factors and other risks are also discussed further in other sections of this Report.

Difficult economic conditions or volatility in the financial markets would likely have an adverse effect on our business, financial position and results of operations.

As a financial services company, PNC's business and overall financial performance are vulnerable to the impact of poor or weak economic conditions, particularly in the United States but also to some extent in the global economy. The extreme recessionary conditions that began in 2007 and ended in 2009 had a negative financial impact across the financial services industry, including on PNC. Such severe economic conditions can lead to turmoil and volatility in financial markets, which can increase the adverse impact on financial institutions such as PNC. A return to recessionary economic conditions in the United States would likely adversely affect PNC, its business and financial performance, perhaps in ways more detrimental than the effects of the last recession.

The economic recovery from the last recession continued in 2013, but at a pace below trend for other recent recoveries from recessions. Job growth has not yet been sufficient to significantly reduce high unemployment in the United States. Consumer and business confidence is improving but remains in the cautious zone.

Although Congress and the President reached agreement on a budget and on the U.S. government's debt ceiling in early 2014, significant long-term issues remain with respect to federal budgetary and spending matters, and these current resolutions only have temporary effect. For example, the new budget only covers the period through the end of September 2014. Uncertainty resulting from these issues and the recent difficulties in resolving these types of matters could contribute to slower economic growth. Another period where the Congress and the President cannot reach resolution of key federal budgetary and spending matters, leading to events such as actual or threatened government shutdowns or defaults, could adversely affect the U.S. economy. In recent years, a downgrade in the ratings for U.S. Treasury securities by a credit rating agency, an extended government shutdown, and substantial spending cuts through sequestration have resulted from government stalemate on budgetary issues.

The global recession and disruption of the financial markets led to concerns over the solvency of certain European countries, affecting these countries' capital markets access and in some cases sovereign credit ratings, as well as market perception of financial institutions that have significant direct or indirect exposure to these countries. These concerns continue even as the global economy is recovering. If measures to address sovereign debt and financial sector problems in Europe are inadequate, they may result in a delayed economic recovery, the exit of one or more member states from the Eurozone, or more severe economic and financial conditions. If realized, these risk scenarios could contribute to severe financial market stress or a global recession, likely affecting the economy and capital markets in the United States as well.

Other Risk Factors, presented below, address specific ways in which we may be adversely impacted by economic conditions.

Our business and financial results are subject to risks associated with the creditworthiness of our customers and counterparties.

Credit risk is inherent in the financial services business and results from, among other things, 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, particularly given the high percentage of our assets represented directly or indirectly by loans, and the importance of lending to our overall business. We manage credit risk by assessing and monitoring the creditworthiness of our customers and counterparties and by diversifying our loan portfolio. Many factors impact credit risk.

A borrower's ability to repay a loan can be adversely affected by individual factors, such as business performance, job losses or health issues. A weak or deteriorating economy and changes in the United States or global markets also could adversely impact the ability of our borrowers to repay outstanding loans. Any decrease in our borrowers' ability to repay loans would result in higher levels of nonperforming loans, net charge-offs, provision for credit losses and valuation adjustments on loans held for sale.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client.

Despite maintaining a diversified loan portfolio, in the ordinary course of business, we may have concentrated credit exposure to a particular person or entity, industry, region or counterparty. Events adversely affecting specific customers, industries, regions or markets, a decrease in the credit quality of a customer base or an adverse change in the risk profile of a market, industry, or group of customers could adversely affect us.

Our credit risk may be exacerbated when collateral held by us to secure obligations to us cannot be realized upon or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure due us.

In part due to improvement in economic conditions, as well as actions taken by PNC to manage its portfolio, PNC's provision for credit losses has declined substantially every year since the end of the recent recession. If we were to once again experience higher levels of provision for credit losses, it could result in lower levels of net income.

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

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

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

The monetary, tax and other policies of the government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. These governmental policies can thus affect the activities and results of operations of banking companies such as PNC. An important function of the Federal Reserve is to regulate the national supply of bank credit and certain interest rates. The actions of the Federal Reserve influence the rates of interest that we charge on loans and that we pay on borrowings and interest-bearing deposits and can also affect the value of our on-balance sheet and off-balance sheet financial instruments. Both due to the impact on rates and by controlling access to direct funding from the Federal Reserve Banks, the Federal Reserve's policies also influence, to a significant extent, our cost of funding. We cannot predict the nature or timing of future changes in monetary, tax and other policies or the effects that they may have on our activities and financial results. The continuation of the current very low interest rate environment, which is expected to continue at least through mid-year 2015 based on statements by the Chairman of the Federal Reserve, could affect consumer and business behavior in ways that are adverse to us and could also hamper our ability to increase our net interest income.

Recently, the British Bankers' Association (BBA) took steps to change the process for determining LIBOR. The method for determining how LIBOR is formulated and its use in the market may change, including, but not limited to, reducing the currencies and tenors for which LIBOR is calculated and requiring banks to provide LIBOR submissions based on actual transaction data. It is uncertain what changes, if any, will be required in the method for determining LIBOR and the impact such changes will have on our LIBOR-linked debt or preferred securities, or any of our loans, derivatives or other financial assets or obligations.

Our business and financial performance are vulnerable to the impact of changes in the values of financial assets.

As a financial institution, a substantial majority of PNC's assets and liabilities are financial in nature (items such as loans, securities, servicing rights, deposits and borrowings). Such assets and liabilities will fluctuate in value, often significantly, due to movements in the financial markets or market volatility as well as developments specific to the asset or liability in question.

Credit-based assets and liabilities will fluctuate in value due to changes in the perceived creditworthiness of the borrowers and also due to changes in market interest rates. A lessening of confidence in the creditworthiness of the United States or other governments whose securities we hold could impact the value of those holdings. Changes in loan prepayment speeds, usually based on fluctuations in market interest rates, could adversely impact the value of our mortgage servicing rights. The financial strength of counterparties, with whom we have hedged some of our exposure to certain types of assets, could affect the value of such transactions and assets. Additionally, the underlying value of an asset under lease may decrease due to supply and demand for the asset or the condition of the asset at the end of the lease. This could cause our recorded lease value to decline.

In many cases, PNC marks its assets and liabilities to market on its financial statements, either through its Net income and Retained earnings or through adjustments to Accumulated other comprehensive income on its balance sheet. We may need to record losses in value of financial assets even where our expectation of realizing the face value of the underlying instrument has not changed.

In addition, asset management revenue is primarily based on a percentage of the value of the assets being managed and thus is impacted by general changes in market valuations. Thus, although we are not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related fee income.

Our business and financial performance are dependent on our ability to attract and retain customers for our products and services, which may be negatively impacted by lack of consumer and business economic confidence as well as our actions, including our ability to anticipate and satisfy customer demands for products and services.

As a financial institution, our performance is subject to risks associated with the loss of customer confidence and demand. Economic and market developments, in the United States, Europe or elsewhere, may affect consumer and business confidence levels. If customers lose confidence due to a weak or deteriorating economy or uncertainty surrounding the future of the economy, the demand for our products and services could suffer.

We may also fail to attract or retain customers if we are unable to develop and market products and services that meet evolving customer needs or demands or if we are unable to deliver them effectively to our customers, particularly to the extent that our competitors are able to do so.

News or other publicity that impairs our reputation, or the reputation of our industry generally also could cause a loss of customers.

If we fail to attract and retain customers, demand for our loans and other financial products could decrease, we could experience adverse changes in payment patterns and consumers may not seek investments with us. We could lose interest income from a decline in credit usage and fee income from a decline in investments and other transactions. PNC's customers could remove money from checking and savings accounts and other types of deposit accounts in favor of other banks or other types of investment products. Deposits are a low cost source of funds. Therefore, losing deposits could increase our funding costs and reduce our net interest income.

For several years, the United States has been in a very low interest rate environment. This situation has decreased the attractiveness of alternatives to bank checking and savings accounts, some of which historically have provided higher yields but may lack deposit insurance and some of the convenience associated with more traditional banking products. If interest rates were to rise significantly, customers may be less willing to maintain balances in non-interest bearing or low interest bank accounts, which could result in a loss of deposits or a relatively higher cost of funds to PNC. This could also result in a loss of fee income.

In our asset management business, investment performance is an important factor influencing the level of assets that we manage. Poor investment performance could impair revenue and growth as existing clients might withdraw funds in favor of better performing products. Additionally, the ability to attract funds from existing and new clients might diminish. Overall economic conditions may limit the amount that customers are able or willing to invest as well as the value of the assets they do invest. The failure or negative performance of products of other financial institutions could lead to a loss of confidence in similar products offered by us without regard to the performance of our products. Such a negative contagion could lead to withdrawals, redemptions and liquidity issues in such products and have a material adverse impact on our assets under management and asset management revenues and earnings.

As a regulated financial services firm, we are subject to numerous governmental regulations, and the financial services industry as a whole is subject to significant regulatory reform initiatives in the United States and elsewhere.

PNC is a bank holding company and a financial holding company and is subject to numerous governmental regulations involving both its business and organization.

Our businesses are subject to regulation by multiple banking, consumer protection and securities regulatory bodies. Applicable laws and regulations restrict our ability to repurchase stock or to receive dividends from subsidiaries that operate in the banking and securities businesses and impose capital adequacy requirements. PNC's ability to service its obligations and pay dividends to shareholders is largely dependent on the receipt of dividends and advances from its subsidiaries, primarily PNC Bank, N.A. The Federal Reserve requires a bank holding company to act as a source of financial and managerial strength for its subsidiary banks. The Federal Reserve could require PNC to commit resources to PNC Bank, N.A. when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

Applicable laws and regulations restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, and for the protection of customer information, among other things. We are also subject to laws and regulations designed to combat money laundering, terrorist financing, and transactions with persons, companies or foreign governments designated by U.S. authorities.

Starting shortly after the beginning of the financial crisis in 2007, we have faced, and expect to continue to face for the foreseeable future, increased regulation of the financial services industry as a result of initiatives intended to promote the safety and soundness of financial institutions, financial market stability, the transparency and liquidity of financial markets, and consumer and investor protection. We also expect, in many cases, more intense scrutiny from bank and consumer protection supervisors in the examination process and more aggressive enforcement of laws and regulations on both the federal and state levels. Compliance with regulations and other supervisory initiatives will likely increase the company's costs and reduce its revenue, and may limit the company's ability to pursue certain desirable business opportunities. New reforms will also introduce additional legal risk (including as a result of newly applicable antifraud and anti-manipulation provisions and private rights of action), affect regulatory oversight, holding company capital requirements, and residential mortgage products. The consequences of noncompliance with applicable laws and regulations can include substantial monetary and nonmonetary sanctions as well as damage to our reputation and businesses.

A number of reform provisions are likely to significantly impact the ways in which banks and bank holding companies, including PNC, do business. Some of the reform initiatives have led to the formation of new regulatory bodies, such as the Consumer Financial Protection Bureau (CFPB), which has authority to regulate consumer financial products and services sold by banks and non-bank companies and to supervise banks with assets of more than $10 billion and their affiliates for compliance with Federal consumer protection laws. Other agencies have significant new powers relevant to PNC, such as the authority now held by the Commodity Futures Trading Commission (CFTC) to regulate non security-based swaps, which, among other things, led PNC Bank, N.A. to register with the CFTC as a swap dealer in early 2013.

See Supervision and Regulation in Item 1 of this Report for more information concerning the regulation of PNC and recent initiatives to reform financial institution regulation, including some of the matters discussed in this Risk Factor. Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report also discusses some of the regulation applicable to PNC.

The following describes the key risks associated with some of the initiatives recently undertaken as part of the regulatory reform initiatives affecting the financial services industry, either where pending rules have not yet been finalized or where the impact of new rules has not been substantially realized.

- In December 2013, the U.S. banking agencies, the SEC and the CFTC adopted regulations implementing the Volcker Rule provisions of Dodd-Frank. The Volcker Rule prohibits banks and their affiliates from engaging in some types of proprietary trading and restricts the ability of banks and their affiliates to sponsor, invest in or have specified other financial relationships with certain types of private funds (referred to as covered funds). We discuss the Volcker Rule in the Supervision and Regulation section included in Item 1 of this Report. PNC discontinued its designated proprietary trading operations several years ago. While we continue to assess the implications of the final regulations, we currently do not expect the proprietary trading aspects of the final regulations to have a material effect on PNC's businesses or revenue. Nevertheless, the Volcker Rule regulations place limits and conditions on many types of permissible trading activities, including transactions conducted for purposes of hedging, liquidity management, underwriting or to facilitate customer transactions. These limits and restrictions could cause PNC to forego engaging in hedging or other transactions that it would otherwise undertake in the ordinary course of business and, thus, to some extent, may limit the ability of PNC to most effectively hedge its risks, manage its balance sheet or provide products or services to its customers.
- In addition, as of December 31, 2013, PNC held interests in private equity and hedge funds that appear to be covered funds subject to the Volcker Rule regulations totaling approximately $806 million, including three sponsored funds with total invested capital of approximately $317 million. Certain of PNC's REIT Preferred Securities also were issued by statutory trusts that, as currently structured, are considered covered funds. PNC will need to sell, restructure, or otherwise conform substantially all of these investments and cease sponsoring covered funds by July 21, 2015, although this compliance date may be extended, potentially for several years, with the approval of the Federal Reserve. Moreover, it is likely that at least some of the amounts invested in these funds will reduce over time in the ordinary course before compliance is required. A forced sale or restructuring of PNC's investments due to the Volcker Rule would likely result in PNC receiving less value than it would otherwise have received or experiencing other adverse consequences. As of December 31, 2013, PNC also held approximately $2.4 billion of senior debt interests in collateralized loan obligation (CLO) funds that may be considered covered funds. At December 31, 2013, the unrealized loss associated with the aforementioned CLO funds was approximately $14 million. The agencies are currently reviewing the treatment of CLO funds under the final regulations.
- On February 18, 2014, the Federal Reserve issued final rules that establish new enhanced prudential standards relating to liquidity risk and overall risk management for bank holding companies (like PNC) that have $50 billion or more in consolidated total assets. These rules also implement the provisions of Dodd-Frank that require the Federal Reserve to impose a maximum 15-to-1 debt to equity ratio on a bank holding company if the FSOC determines that the company poses a grave threat to the financial stability of the United States and that the imposition of such a debt-to-equity requirement would mitigate such risk. The Federal Reserve, however, continues to develop the other enhanced prudential standards that are required under Dodd-Frank for bank holding companies with $50 billion or more in consolidated total assets, including the counterparty credit exposure limits and early remediation requirements that were

the subject of proposed rules issued in December 2011. Under these proposed rules, PNC could be subject to increasingly stringent actions by the Federal Reserve if its financial condition or risk management deteriorated as reflected by the company's current or projected post-stress capital levels, compliance with supervisory liquidity and risk management standards and, in some instances, market-based indicators, such as credit default swap spreads. In addition, the Federal Reserve has indicated that it intends to continue to develop the set of enhanced prudential standards that apply to large bank holding companies in order to further promote the resiliency of such firms and the U.S. financial system. Until the Federal Reserve's rules and initiatives to establish these enhanced prudential standards are completed, we are unable to fully estimate their impact on PNC, although we expect these initiatives will result in increased compliance costs.

- Regulatory agencies have proposed rules to implement the Dodd-Frank provisions requiring retention of credit risk by certain securitization participants through holding interests in the securitization vehicles, but the rules are not yet finalized or effective. As a result, the ultimate impact of these Dodd-Frank provisions on PNC remains unpredictable. That impact on PNC could be direct, by requiring PNC to hold interests in a securitization vehicle or other assets that represent a portion of the credit risk of the assets held by the securitization vehicle, or indirect, by impacting markets in which PNC participates and increasing the costs associated with loan origination. Since the beginning of the financial crisis, there has been and continues to be substantially less private (that is, non-government backed) securitization activity than had previously been the case. It is unclear at present whether and to what extent the private securitization markets will rebound. If the markets for private securitizations rebound and PNC decides to increase its participation in those markets, we would likely be required under the regulations to retain more risk than would otherwise have been the case, and as a result could be required to consolidate certain securitization vehicles on our balance sheet, with currently an uncertain financial impact.

  On the indirect impact side, PNC originates loans of a variety of types, including residential and commercial mortgages, credit card, auto, and student, that historically have commonly been securitized, and PNC is also a significant servicer of residential and commercial mortgages held by others, including securitization vehicles. PNC anticipates that the risk retention requirements will impact the market for loans of types that historically have been securitized, potentially affecting the volumes of loans securitized, the types of loan products made available, the terms on which loans are offered, consumer and business demand for loans, and the need for third-party loan servicers. It should be noted that the risk retention rules themselves could have the effect of slowing the rebound in the securitization markets. One effect of having substantially reduced opportunities to securitize loans would likely be a reduction in the willingness of banks, including PNC, to make loans due to balance sheet management requirements. Any of these potential impacts of the Dodd-Frank risk retention rules could affect the way in which PNC conducts its business, including its product offerings.

A failure to comply, or to have adequate policies and procedures designed to comply, with regulatory requirements could expose us to damages, fines and regulatory penalties and other regulatory actions, which could be significant, and could also injure our reputation with customers and others with whom we do business.

New capital and liquidity standards will result in banks and bank holding companies needing to maintain more and higher quality capital and greater liquidity than has historically been the case.

We are subject to the regulatory capital requirements established by the Federal Reserve and the OCC. These requirements are currently undergoing significant changes as a result of the final rules adopted by the U.S. banking agencies in July 2013 to implement the new international guidelines for determining regulatory capital established by the Basel Committee on Bank Supervision ("BCBS") known as "Basel III," as well as to implement certain provisions of the Dodd-Frank Act. Significant parts of these rules became effective for PNC on January 1, 2014, while other aspects will become effective on January 1, 2015 or thereafter.

In November 2013, the U.S. banking agencies also requested comment on proposed rules that would implement the liquidity coverage ratio (LCR), a new, short-term quantitative liquidity requirement included in the BCBS Basel III framework. The proposal would require PNC and PNC Bank, N.A. to maintain an amount of qualifying high-quality liquid assets sufficient to cover the entity's projected net cash outflows over a 30-day stress period using inflow, outflow and maturity assumptions included in the rule. Under the proposal, the LCR would become effective and begin to be phased-in on January 1, 2015, with the standard being fully implemented on January 1, 2017. The comment period on the proposed rules ended on January 31, 2014, and final rules have not yet been issued. Although the impact of the LCR on PNC will not be fully known until the rules are final, PNC has taken several actions to prepare for implementation of the LCR, and we expect to be in compliance with the rules when they become effective. In February 2014, the Federal Reserve also adopted new liquidity risk management requirements for bank holding companies with $50 billion or more in consolidated total assets (like PNC), which become effective on January 1, 2015. We discuss these new capital requirements and liquidity standards in the Supervision and Regulation section included in Item 1 of this Report.

The U.S. banking agencies also have proposed, or are considering, additional rules that would require certain U.S. banking organizations to maintain a supplemental leverage ratio in excess of the level required by the July 2013 rules, to hold additional capital to the extent the organizations engage in certain activities deemed to present special risks (such as relying on short-term wholesale funding), or to maintain a certain aggregate level of capital and long-term unsecured debt to facilitate a resolution of the institution. In January 2014, the BCBS also requested comment on another liquidity component of the international Basel III framework, the net stable funding ratio, which is designed to ensure that banking organizations maintain a stable, long-term funding profile in relation to their asset composition and off-balance sheet activities.

The need to maintain more and higher quality capital, as well as greater liquidity, going forward than historically has been required could limit PNC's business activities, including lending, and its ability to expand, either organically or through acquisitions. It could also result in PNC taking steps to increase its capital that may be dilutive to shareholders or being limited in its ability to pay dividends or otherwise return capital to shareholders, or selling or refraining from acquiring assets, the capital requirements for which are inconsistent with the assets' underlying risks. In addition, the new liquidity standards likely will require PNC to increase its holdings of highly liquid short-term investments, thereby reducing PNC's ability to invest in longer-term or less liquid assets even if more desirable from a balance sheet or interest rate risk management perspective. Moreover, although these new requirements are being phased in over time, U.S. federal banking agencies have been taking into account expectations regarding the ability of banks to meet these new requirements, including under stressed conditions, in approving actions that represent uses of capital, such as dividend increases, share repurchases and acquisitions. Moreover, until the scope and terms of pending or future rulemakings relating to capital, liquidity, or liability composition are known, the extent to which such rules may apply to PNC and the potential impact of such rules on PNC will remain uncertain.

We depend on information systems, both internally and through third-parties, to conduct our business and could suffer a material adverse impact from interruptions in the effective operation of, or security breaches affecting, those systems.

As a large financial company, we handle a substantial volume of customer and other financial transactions virtually on a continuous basis. As a result, we rely heavily on information systems to conduct our business and to process, record, and monitor our transactions. In recent years, PNC has increased substantially in size, scope and complexity. We have also seen more customer usage of technological solutions for financial needs and higher expectations of customers and regulators regarding effective and safe systems operation. The need to ensure proper functioning of these systems has become more challenging, and the costs involved in that effort are greater than ever.

The risks to these systems result from a variety of factors, both internal and external. In some cases, these factors are largely outside of our control, including the potential for bad acts on the part of hackers, criminals, employees and others. In other cases, our systems could fail to operate as needed due to factors such as design or performance issues, human error, unexpected transaction volumes, or inadequate measures to protect against unauthorized access. We are also at risk for the impact of natural or other disasters, terrorism, international hostilities and the like on our systems or for the effect of outages or other failures involving power or communications systems operated by others. In addition, we face a variety of types of cyber attacks, some of which are discussed in more detail below. Cyber attacks often include efforts to disrupt our ability to provide services or to gain access to confidential company and customer information.

We rely on other companies for the provision of a broad range of products and services. Many of these products and services include information systems themselves or involve the use of such systems in connection with providing the products or services. In some cases, these other companies provide the infrastructure that supports electronic communications. These other companies are generally subject to many of the same risks we face with respect to our systems. To the extent we rely on these other companies, we could be adversely affected if they are impacted by system failures or cyber attacks.

All of these types of events, whether resulting from cyber attacks or other internal or external sources, expose customer and other confidential information to security risks. They also could disrupt our ability to use our accounting, deposit, loan and other systems and could cause errors in transactions with customers, vendors or other counterparties.

In addition, our customers often use their own devices, such as computers, smartphones and tablets, to do business with us. We have limited ability to assure the safety and security of our customers' transactions with us to the extent they are utilizing their own devices.

We are faced with ongoing efforts by others to breach data security at financial institutions or with respect to financial transactions. Some of these involve efforts to enter our systems directly by going through or around our security protections. Others involve the use of schemes such as "phishing" to gain access to identifying customer information, often from customers themselves. Most corporate and commercial transactions are now handled electronically, and our retail customers increasingly use online access and mobile devices to bank with us. The ability to conduct business with us in this manner depends on secure transmission of confidential information, which increases the risk of data security breaches.

Starting in late 2012, there have been several well-publicized series of apparently related denial of service attacks on large financial services companies, including PNC. In a denial of service attack, individuals or organizations flood commercial websites with extraordinarily high volumes of traffic, with the goal of disrupting the ability of commercial enterprises to process transactions and possibly making their websites unavailable to customers for extended periods of time. The attacks against PNC have resulted in temporary disruptions in customers' ability to access the corporate website and to perform on-line banking transactions. To date, no customer data has been lost or compromised and these efforts have not had a material impact on PNC. We cannot, however, provide assurance that future attacks of this type might not have a greater effect on PNC.

As our customers regularly use PNC-issued credit and debit cards to pay for transactions with retailers and other businesses, there is the risk of data security breaches at those other businesses covering PNC account information. When our customers use PNC-issued cards to make purchases from those businesses, card account information is provided to the business. If the business's systems that process or store card account information are subject to a data security breach, holders of our cards who have made purchases from that business may experience fraud on their card accounts. PNC may suffer losses associated with reimbursing our customers for such fraudulent transactions on customers' card accounts, as well as for other costs related to data security compromise events, such as replacing cards associated with compromised card accounts. In addition, PNC provides card transaction processing services to some merchant customers under agreements we have with payment networks such as Visa and MasterCard. Under these agreements, we may be responsible for certain losses and penalties if one of our merchant customers suffers a data security breach.

In late 2013, several large retailers, including most prominently Target, disclosed that they have suffered substantial data security breaches compromising millions of card accounts. To date, PNC's losses and costs related to these breaches have not been material, but other similar events in the future could be more significant to PNC.

Methods used by others to attack information systems change frequently (with generally increasing sophistication), often are not recognized until launched against a target, may be supported by foreign governments or other well-financed entities, and may originate from less regulated and remote areas around the world. As a result, we may be unable to address these methods in advance of attacks, including by implementing adequate preventive measures.

We have policies, procedures and systems (including business continuity programs) designed to prevent or limit the effect of possible failures, interruptions or breaches in security of information systems. We design our business continuity and other information and technology risk management programs to manage our capabilities to provide services in the case of an event resulting in material disruptions of business activities affecting our employees, facilities, technology or suppliers. We regularly seek to test the effectiveness of and enhance these policies, procedures and systems.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our business continuity planning and our ability to anticipate the timing and nature of any such event that occurs. The adverse impact of natural and other disasters, terrorist activities, international hostilities and the like could be increased to the extent that there is a lack of preparedness on the part of national or regional governments, including emergency responders, or on the part of other organizations and businesses with which we deal, particularly those on which we depend but have no control over.

In recent years, we have incurred significant expense towards improving the reliability of our systems and their security from attack. Nonetheless, there remains the risk that an adverse event might occur. If one does occur, we might not be able to fix it timely or adequately. To the extent that the risk relates to products or services provided by others, we seek to engage in due diligence and monitoring to limit the risk, but here too we cannot eliminate it. Should an adverse event affecting another company's systems occur, we may not have indemnification or other protection from the other company sufficient to compensate us or otherwise protect us from the consequences.

The occurrence of any failure, interruption or security breach of any of our information or communications systems, or the systems of other companies on which we rely, could result in a wide variety of adverse consequences to PNC. This risk is greater if the issue is widespread or results in financial losses to our customers. Possible adverse consequences include damage to our reputation or a loss of customer business. We also could face litigation or additional regulatory scrutiny. Litigation or regulatory actions in turn could lead to liability or other sanctions, including fines and penalties or reimbursement of customers adversely affected by a systems problem or security breach. Even if we do not suffer any material adverse consequences as a result of events affecting us directly, successful attacks or systems failures at other large financial institutions could lead to a general loss of customer confidence in financial institutions including PNC. Also, systems problems, including those resulting from third party attacks, whether at PNC or at our competitors, would likely increase regulatory and customer concerns regarding the functioning, safety and security of such systems generally. In that case, we would expect to incur even higher levels of costs with respect to prevention and mitigation of these risks.

We continually encounter technological change and we could falter in our ability to remain competitive in this arena.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. We have been investing in technology and connectivity to automate functions previously performed manually, to facilitate the ability of customers to engage in financial transactions, and otherwise to enhance the customer experience with respect to our products and services. On the retail side, this has included developments such as more sophisticated ATMs and expanded access to banking transactions through the internet, smart phones, tablets and other remote devices. These efforts have all been in response to actual and anticipated customer behavior and expectations. Our continued success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that satisfy customer demands and create efficiencies in our operations. A failure to maintain or enhance our competitive position with respect to technology, whether because we fail to anticipate customer expectations or because our technological developments fail to perform as desired or are not rolled out in a timely manner, may cause us to lose market share or incur additional expense.

There are risks resulting from the extensive use of models in our business.

PNC relies on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy, and calculating economic and regulatory capital levels, as well as to estimate the value of financial instruments and balance sheet items. Poorly designed or implemented models present the risk that our business decisions based on information incorporating models will be adversely affected due to the inadequacy of that information. Also, information we provide to the public or to our regulators based on poorly designed or implemented models could be inaccurate or misleading. Some of the decisions that our regulators make, including those related to capital distributions to our shareholders, could be affected adversely due to their perception that the quality of the models used to generate the relevant information is insufficient. See the Model Risk Management portion of the Risk Management section included in Item 7 of this Report.

Our asset and liability valuations and the determination of the amount of loss allowances and impairments taken on our assets are highly subjective, and inaccurate estimates could materially impact our results of operations or financial position.

We must use estimates, assumptions, and judgments when assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Changes in underlying factors or assumptions in any of the areas underlying our estimates could materially impact our future financial condition and results of operations. During periods of market disruption, it may be more difficult to value certain of our assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were historically in active markets with significant observable data that rapidly become illiquid due to market volatility, a loss in market confidence or other factors. Further, rapidly changing and unprecedented market conditions in any particular market could materially impact the valuation of assets as reported within our consolidated financial statements.

The determination of the amount of loss allowances and asset impairments varies by asset type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. Although we have policies and procedures in place to determine loss allowance and asset impairments, due to the substantial subjective nature of this area, there can be no assurance that our management has accurately assessed the level of impairments taken and allowances reflected in our financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

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

Many aspects of our business involve substantial risk of legal liability. We have been named or threatened to be named as defendants in various lawsuits arising from our business activities (and in some cases from the activities of companies we have acquired). In addition, we are regularly the subject of governmental investigations and other forms of regulatory inquiry. We also are at risk when we have agreed to indemnify others for losses related to legal proceedings, including litigation and governmental investigations and inquiries, they face, such as in connection with the sale of a business or assets by us. The results of these legal proceedings could lead to significant monetary damages or penalties, restrictions on the way in which we conduct our business, or reputational harm.

Although we establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, we do not have accruals for all legal proceedings where we face a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued may not represent the ultimate loss to us from the legal proceedings in question. Thus, our ultimate losses may be higher, and possibly significantly so, than the amounts accrued for legal loss contingencies.

We discuss further the unpredictability of legal proceedings and describe certain of our pending legal proceedings in Note 23 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report.

PNC faces legal and regulatory risk arising out of its residential mortgage businesses.

Numerous federal and state governmental, legislative and regulatory authorities are investigating practices in the business of mortgage and home equity loan lending and servicing and in the mortgage-related insurance and reinsurance industries. PNC has received inquiries from governmental, legislative and regulatory authorities on these topics and is responding to these inquiries. These inquiries and investigations could lead to administrative, civil or criminal proceedings, possibly resulting in remedies including fines, penalties, restitution, alterations in our business practices and additional expenses and collateral costs.

In addition to governmental or regulatory inquiries and investigations, PNC, like other companies with residential mortgage and home equity loan origination and servicing operations, faces the risk of class actions, other litigation and claims from: the owners of, investors in, or purchasers of such loans originated or serviced by PNC (or securities backed by such loans), homeowners involved in foreclosure proceedings or various mortgage-related insurance programs, downstream purchasers of homes sold after foreclosure, title insurers, and other potential claimants. Included among these claims are claims from purchasers of mortgage and home equity loans seeking the repurchase of loans where the loans allegedly breached origination covenants and representations and warranties made to the purchasers in the purchase and sale agreements.

At this time PNC cannot predict the ultimate overall cost to or effect upon PNC from governmental, legislative or regulatory actions and private litigation or claims arising out of residential mortgage and home equity loan lending, servicing or reinsurance practices, although such actions, litigation and claims could, individually or in the aggregate, result in significant expense. See Note 23 Legal Proceedings and Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information regarding federal and state governmental, legislative and regulatory inquiries and investigations and additional information regarding potential repurchase obligations relating to mortgage and home equity loans.

There is a continuing risk of incurring costs related to further remedial and related efforts required by consent orders and related to 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 and home equity loan business and could reduce future business opportunities. Investors in mortgage loans and other assets that we sell are more likely to seek indemnification from us against losses or otherwise seek to have us share in such losses.

The CFPB has issued new rules for mortgage origination and mortgage servicing. Both the origination and servicing rules create new private rights of action for consumers against lenders and servicers like PNC in the event of certain violations. For additional information concerning the mortgage rules, see Supervision and Regulation in Item 1 of this Report.

Additionally, each GSE is currently in conservatorship, with its primary regulator acting as a conservator. We cannot predict when or if the conservatorships will end or whether, as a result of legislative or regulatory action, there will be any associated changes to the structure of the GSEs or the housing finance industry more generally, including, but not limited to, changes to the relationship among the GSEs, the government and the private markets. The effects of any such reform on our business and financial results are uncertain.

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

Our retail banking business is primarily concentrated within our retail branch network footprint. Although our other businesses are national in scope, to a lesser extent these other businesses also have a greater presence within these primary geographic markets. Thus, we are particularly vulnerable to adverse changes in economic conditions in the Mid-Atlantic, Midwest, and Southeast regions.

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

Acquisitions of other financial services companies, financial services assets and related deposits and other liabilities present risks and uncertainties to PNC in addition to those presented by the nature of the business acquired.

In general, acquisitions may be substantially more expensive or take longer to complete than anticipated (including unanticipated costs incurred in connection with the integration of the acquired company). Anticipated benefits (including anticipated cost savings and strategic gains) may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.

Our ability to achieve anticipated results from acquisitions is often dependent also on the extent of credit losses in the acquired loan portfolios and the extent of deposit attrition, which are, in part, related to the state of economic and financial markets.

Also, litigation and governmental investigations that may be pending at the time of the acquisition or be filed or commenced thereafter, as a result of an acquisition or otherwise, could impact the timing or realization of anticipated benefits to PNC. Note 23 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report describes several legal proceedings related to pre-acquisition activities of companies we have acquired, including National City. Other such legal proceedings may be commenced in the future.

Integration of an acquired company's business and operations into PNC, including conversion of the acquired company's different systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to the acquired company's or PNC's existing businesses. In some cases, acquisitions involve our entry into new businesses or new geographic or other markets, and these situations also present risks and uncertainties in instances where we may be inexperienced in these new areas.

Our ability to analyze the risks presented by prospective acquisitions, as well as our ability to prepare in advance of closing for integration, depends, in part, on the information we can gather with respect to the target, which is more limited than the information we have regarding companies we already own.

As a regulated financial institution, our ability to pursue or complete attractive acquisition opportunities could be negatively impacted by regulatory delays or other regulatory issues.

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

We are subject to intense competition from various financial institutions as well as from non-bank entities that engage in many similar activities without being subject to bank regulatory supervision and restrictions. This competition is described in Item 1 of this Report under "Competition." Competition in our industry could intensify as a result of the increasing consolidation of financial services companies, in connection with current market conditions or otherwise.

In all, the principal bases for competition are pricing (including the interest rates charged on loans or paid on interest-bearing deposits), product structure, the range of products and services offered, and the quality of customer service (including convenience and responsiveness to customer needs and concerns). The ability to access and use technology is an increasingly important competitive factor in the financial services industry, and it is a critically important component to customer satisfaction as it affects our ability to deliver the right products and services.

Another increasingly competitive factor in the financial services industry is the competition to attract and retain talented employees across many of our business and support areas. This competition leads to increased expenses in many business areas and can also cause us to not pursue certain business opportunities.

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

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

Neither the occurrence nor the potential impact of disasters (such as earthquakes, hurricanes, tornadoes, floods, fires, explosions, and other severe weather conditions or catastrophic accidents), terrorist activities and international hostilities can be predicted. However, these occurrences could impact us directly (for example, by causing significant damage to our facilities or preventing us from conducting our business in the ordinary course), or indirectly as a result of their impact on our borrowers, depositors, other customers, suppliers or other counterparties. We could also suffer adverse consequences to the extent that disasters, terrorist activities or international hostilities affect the financial markets or the economy in general or in any particular region. These types of impacts could lead, for example, to an increase in delinquencies, bankruptcies or defaults that could result in our experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning, and our ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of disasters or terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we deal with, particularly those that we depend upon but have no control over.

ITEM 1B – UNRESOLVED STAFF COMMENTS

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

ITEM 2 – PROPERTIES

Our executive and primary administrative offices are currently located at One PNC Plaza, Pittsburgh, Pennsylvania. The 30-story structure is owned by PNC Bank, N.A.

We own or lease numerous other premises for use in conducting business activities, including operations centers, offices, and branch and other facilities. We consider the facilities owned or occupied under lease by our subsidiaries to be adequate for the purposes of our business operations. We include here by reference the additional information regarding our properties in Note 11 Premises, Equipment and Leasehold Improvements in the Notes To Consolidated Financial Statements in Item 8 of this Report.

ITEM 3 – LEGAL PROCEEDINGS

See the information set forth in Note 23 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated here by reference.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding each of our executive officers as of February 22, 2014 is set forth below. Executive officers do not have a stated term of office. Each executive officer has held the position or positions indicated or another executive position with the same entity or one of its affiliates for the past five years unless otherwise indicated below.

Name	Age	Position with PNC	Year Employed (a)
William S. Demchak	51	Chief Executive Officer and President (b)	2002
Joseph C. Guyaux	63	Senior Vice Chairman and Chief Risk Officer	1972
E. Todd Chamberlain	52	Executive Vice President	2011
Orlando C. Esposito	55	Executive Vice President	1988
Joan L. Gulley	66	Executive Vice President and Chief Human Resources Officer	1986
Neil F. Hall	65	Executive Vice President	1995
Michael J. Hannon	57	Executive Vice President and Chief Credit Officer	1982
Gregory B. Jordan	54	Executive Vice President, General Counsel and Head of Regulatory and Government Affairs	2013
Karen L. Larrimer	51	Executive Vice President and Chief Marketing Officer	1995
Michael P. Lyons	43	Executive Vice President	2011
E. William Parsley, III	48	Executive Vice President, Chief Investment Officer, and Treasurer	2003
Robert Q. Reilly	49	Executive Vice President and Chief Financial Officer	1987
Steven Van Wyk	55	Executive Vice President and Head of Technology and Operations	2013
Gregory H. Kozich	50	Senior Vice President and Controller	2010

(a) Where applicable, refers to year employed by predecessor company.
(b) Mr. Demchak also serves as a director. Biographical information for Mr. Demchak is included in "Election of Directors (Item 1)" in our proxy statement for the 2014 annual meeting of shareholders. See Item 10 of this Report.

Joseph C. Guyaux was appointed Senior Vice Chairman and Chief Risk Officer in February 2012, prior to which he served as President.

E. Todd Chamberlain was appointed Executive Vice President of PNC Bank, N.A. and The PNC Financial Services Group, Inc. and head of Residential Mortgage Banking in April 2013. He joined PNC in July 2011. He is a 26-year veteran of the mortgage industry. Prior to 2011, he was at Regions Financial Corporation where he was Executive Vice President and head of mortgage banking for 8 years.

Orlando C. Esposito was appointed Executive Vice President and head of the Asset Management Group of The PNC Financial Services Group, Inc. and PNC Bank, N.A in April 2013. Prior to being named to his current position, he joined PNC in 1988 and held numerous leadership positions including Executive Vice President of Corporate Banking from November 2006 to April 2013.

Joan L. Gulley has served as Chief Human Resources Officer since April 2008. She was appointed Senior Vice President in April 2008 and then Executive Vice President in February 2009.

Neil F. Hall has been an Executive Vice President since April 2012 and head of PNC's Retail Banking since February 2012. Prior to being named to his current position, Mr. Hall led the delivery of sales and service to PNC's retail and small business customers, directed branch banking, business banking, community development and PNC Investments.

Michael J. Hannon has served as Executive Vice President since February 2009, prior to which he served as Senior Vice President. He has served as Chief Credit Officer since November 2009. From February 2009 to November 2009 he also served as Chief Risk Officer and served as Interim Chief Risk Officer from December 2011 to February 2012.

Gregory B. Jordan joined PNC as Executive Vice President, General Counsel and Head of Regulatory and Government Affairs in October 2013. Prior to joining PNC, he served as the Global Managing Partner for the last 13 years of his 29 year tenure at Reed Smith LLP.

Karen L. Larrimer was appointed Executive Vice President of The PNC Financial Services Group, Inc. in May 2013. She has served as Chief Marketing Officer since April 2012. She also has served as Executive Vice President of PNC Bank, N.A. since November 2006.

Michael P. Lyons has been an Executive Vice President since November 2011 and is head of Corporate and Institutional Banking. Prior to joining PNC in October 2011, from May 2010 until October 2011, Mr. Lyons was head of corporate development and strategic planning for Bank of America. Prior to joining Bank of America, from September 2004 to May 2010, Mr. Lyons held various positions at Maverick Capital, most recently as a principal focused on financial institutions investments.

E. William Parsley, III has served as Treasurer and Chief Investment Officer since January 2004. He was appointed Executive Vice President of PNC in February 2009.

Robert Q. Reilly was appointed Chief Financial Officer in August 2013. He served as the head of PNC's Asset Management Group from 2005 until April 2013. Previously, he held numerous management roles in both Corporate Banking and Asset Management. He was appointed Executive Vice President in February 2009.

Steven Van Wyk joined PNC as Head of Technology and Operations in January 2013. From 2007 until joining PNC, Mr. Van Wyk served as Global Chief Operating Officer for ING. He was appointed Executive Vice President of PNC in February 2013.

Gregory H. Kozich has served as a Senior Vice President and Controller of PNC since 2011. Mr. Kozich joined PNC as Senior Vice President of PNC Bank, N.A. in October 2010. Prior to joining PNC, Mr. Kozich was with Fannie Mae from 2005 until late 2010, most recently serving as its corporate controller.

DIRECTORS OF THE REGISTRANT

The name, age and principal occupation of each of our directors as of February 22, 2014 and the year he or she first became a director is set forth below:

- Richard O. Berndt, 71, Managing Partner of Gallagher, Evelius & Jones LLP (*law firm*) (2007)
- Charles E. Bunch, 64, Chairman and Chief Executive Officer of PPG Industries, Inc. (*coatings, sealants and glass products*) (2007)
- Paul W. Chellgren, 71, Operating Partner, Snow Phipps Group, LLC (*private equity*) (1995)
- William S. Demchak, 51, Chief Executive Officer and President of PNC (2013)
- Andrew T. Feldstein, 49, Co-Founder and Chief Executive Officer of BlueMountain Capital Management, LLC (*asset management firm)* (2013)
- Kay Coles James, 64, President and Founder of The Gloucester Institute (*non-profit*) (2006)
- Richard B. Kelson, 67, President and Chief Executive Officer, ServCo LLC (*strategic sourcing, supply chain management*) (2002)
- Bruce C. Lindsay, 72, Chairman and Managing Member of 2117 Associates, LLC (*business consulting firm)* (1995)
- Anthony A. Massaro, 69, Retired Chairman and Chief Executive Officer of Lincoln Electric Holdings, Inc. (*manufacturer of welding and cutting products*) (2002)
- Jane G. Pepper, 68, Retired President of the Pennsylvania Horticultural Society (*non-profit*) (1997)
- James E. Rohr, 65, Executive Chairman of PNC (1990)
- Donald J. Shepard, 67, Retired Chairman of the Executive Board and Chief Executive Officer of AEGON N.V. (*insurance*) (2007)
- Lorene K. Steffes, 68, Independent Business Advisor *(executive, business management and technical expertise)* (2000)
- Dennis F. Strigl, 67, Retired President and Chief Operating Officer of Verizon Communications Inc. (*telecommunications*) (2001)
- Thomas J. Usher, 71, Non-executive Chairman of Marathon Petroleum Corporation (*oil and gas industry*) (1992)
- George H. Walls, Jr., 71, former Chief Deputy Auditor for the State of North Carolina (2006)
- Helge H. Wehmeier, 71, Retired Vice Chairman of Bayer Corporation (*international life sciences, polymers and specialty chemicals*) (1992)

PART II

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

(a) (1) Our common stock is listed on the New York Stock Exchange and is traded under the symbol "PNC." At the close of business on February 19, 2014, there were 72,415 common shareholders of record.

Holders of PNC common stock are entitled to receive dividends when declared by the Board of Directors out of funds legally available for this purpose. Our Board of Directors may not pay or set apart dividends on the common stock until dividends for all past dividend periods on any series of outstanding preferred stock have been paid or declared and set apart for payment. The Board presently intends to continue the policy of paying quarterly cash dividends. The amount of any future dividends will depend on economic and market conditions, our financial condition and operating results, and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and non-bank subsidiaries to pay dividends to the parent company and regulatory capital limitations). The amount of our dividend is also currently subject to the results of the Federal Reserve's 2014 Comprehensive Capital Analysis and Review (CCAR) as part of its supervisory assessment of capital adequacy described under "Supervision and Regulation" in Item 1 of this Report.

The Federal Reserve has the power to prohibit us from paying dividends without its approval. For further information concerning dividend restrictions and restrictions on loans, dividends or advances from bank subsidiaries to the parent company, see "Supervision and Regulation" in Item 1 of this Report, "Capital" in the Consolidated Balance Sheet Review section, "Liquidity Risk Management" in the Risk Management section, and "Trust Preferred Securities and REIT Preferred Securities" in the Off-Balance Sheet Arrangements And Variable Interest Entities section of Item 7 of this Report, and Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities and Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report, which we include here by reference.

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

We include here by reference the information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2013 in the table (with introductory paragraph and notes) that appears in Item 12 of this Report.

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Our registrar, stock transfer agent, and dividend disbursing agent is:
Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
800-982-7652

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

(a) (2) None.

(b) Not applicable.

(c) Details of our repurchases of PNC common stock during the fourth quarter of 2013 are included in the following table:

In thousands, except per share data

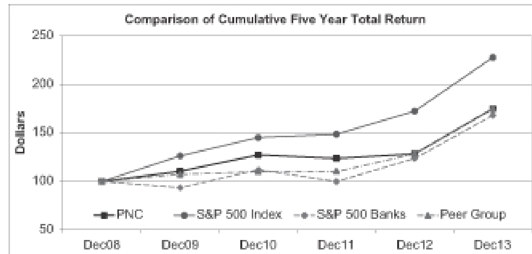
2013 period	Total shares purchased (a)	Average price paid per share	Total shares purchased as part of publicly announced programs (b)	Maximum number of shares that may yet be purchased under the programs (b)
October 1 –31	13	$73.09		21,551
November 1 –30	9	$61.77		21,551
December 1 –31	8	$64.98		21,551
Total	30	$67.48		

(a) Includes PNC common stock purchased under the program referred to in note (b) to this table, where applicable, and PNC common stock purchased in connection with our various employee benefit plans. Note 15 Employee Benefit Plans and Note 16 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report include additional information regarding our employee benefit plans that use PNC common stock.

(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. 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, the potential impact on our credit ratings, and contractual and regulatory limitations and regulatory review as part of the Federal Reserve's Comprehensive Capital Analysis Review (CCAR) process. We did not repurchase any common stock under this program during the fourth quarter of 2013.

COMMON STOCK PERFORMANCE GRAPH

This graph shows the cumulative total shareholder return (*i.e.*, price change plus reinvestment of dividends) on our common stock during the five-year period ended December 31, 2013, as compared with: (1) a selected peer group of our competitors, called the "Peer Group;" (2) an overall stock market index, the S&P 500 Index; and (3) a published industry index, the S&P 500 Banks. The yearly points marked on the horizontal axis of the graph correspond to December 31 of that year. The stock performance graph assumes that $100 was invested on January 1, 2009 for the five-year period and that any dividends were reinvested. The table below the graph shows the resultant compound annual growth rate for the performance period.



	Base Period	Assumes $100 investment at Close of Market on December 31, 2008 Total Return = Price change plus reinvestment of dividends					5-Year Compound Growth Rate
	Dec. 08	Dec. 09	Dec. 10	Dec. 11	Dec. 12	Dec. 13	
PNC	100	110.26	127.69	123.78	128.32	175.10	11.86%
S&P 500 Index	100	126.45	145.49	148.55	172.31	228.10	17.93%
S&P 500 Banks	100	93.41	111.95	99.95	123.99	168.29	10.97%
Peer Group	100	107.49	109.87	110.00	128.32	175.10	11.86%

The Peer Group for the preceding chart and table consists of the following companies: BB&T Corporation; Comerica Inc.; Fifth Third Bancorp; KeyCorp; The PNC Financial Services Group, Inc.; SunTrust Banks, Inc.; U.S. Bancorp; Regions Financial Corporation; Wells Fargo & Company; Capital One Financial, Inc.; Bank of America Corporation; M&T Bank; and JP Morgan Chase and Company. This Peer Group was approved for 2013 by the Board's Personnel and Compensation Committee, which has also approved the same Peer Group for 2014.

Each yearly point for the Peer Group is determined by calculating the cumulative total shareholder return for each company in the Peer Group from December 31, 2008 to December 31 of that year (End of Month Dividend Reinvestment Assumed) and then using the median of these returns as the yearly plot point.

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

ITEM 6 – SELECTED FINANCIAL DATA

Dollars in millions, except per share data	2013 (a)	2012 (a)	2011	2010	2009
		Year ended December 31			
SUMMARY OF OPERATIONS					
Interest income	$10,007	$10,734	$10,194	$11,150	$12,086
Interest expense	860	1,094	1,494	1,920	3,003
Net interest income	9,147	9,640	8,700	9,230	9,083
Noninterest income (b)	6,865	5,872	5,626	5,946	7,145
Total revenue	16,012	15,512	14,326	15,176	16,228
Provision for credit losses	643	987	1,152	2,502	3,930
Noninterest expense	9,801	10,582	9,105	8,613	9,073
Income from continuing operations before income taxes and noncontrolling interests	5,568	3,943	4,069	4,061	3,225
Income taxes	1,341	942	998	1,037	867
Income from continuing operations before noncontrolling interests	4,227	3,001	3,071	3,024	2,358
Income from discontinued operations (net of income taxes of zero, zero, zero, $338 and $54) (c)				373	45
Net income	4,227	3,001	3,071	3,397	2,403
Less: Net income (loss) attributable to noncontrolling interests	7	(12)	15	(15)	(44)
Preferred stock dividends (d)	237	177	56	146	388
Preferred stock discount accretion and redemptions (d)	12	4	2	255	56
Net income attributable to common shareholders (d)	$ 3,971	$ 2,832	$ 2,998	$ 3,011	$ 2,003
PER COMMON SHARE					
Basic earnings					
Continuing operations	$ 7.48	$ 5.36	$ 5.70	$ 5.08	$ 4.30
Discontinued operations (c)				.72	.10
Net income	$ 7.48	$ 5.36	$ 5.70	$ 5.80	$ 4.40
Diluted earnings					
Continuing operations	$ 7.39	$ 5.30	$ 5.64	$ 5.02	$ 4.26
Discontinued operations (c)				.72	.10
Net income	$ 7.39	$ 5.30	$ 5.64	$ 5.74	$ 4.36
Book value	$ 72.21	$ 67.05	$ 61.52	$ 56.29	$ 47.68
Cash dividends declared	$ 1.72	$ 1.55	$ 1.15	$ .40	$ .96

(a) Includes the impact of RBC Bank (USA), which we acquired on March 2, 2012.

(b) Amount for 2009 includes recognition of a $1.1 billion pretax gain on our portion of the increase in BlackRock's equity resulting from the value of BlackRock shares issued in connection with BlackRock's acquisition of Barclays Global Investors (BGI) on December 1, 2009.

(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.

(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 noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share. The Series N Preferred Stock was issued on December 31, 2008.

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.

This Selected Financial Data should be reviewed in conjunction with the Consolidated Financial Statements and Notes included in Item 8 of this Report as well as the other disclosure in this Report concerning our historical financial performance, our future prospects and the risks associated with our business and financial performance.

Dollars in millions, except as noted	2013 (a)	2012 (a)	2011	2010	2009
	At or for the year ended December 31				
BALANCE SHEET HIGHLIGHTS					
Assets	$320,296	$305,107	$271,205	$264,284	$269,863
Loans (b) (c)	195,613	185,856	159,014	150,595	157,543
Allowance for loan and lease losses (b)	3,609	4,036	4,347	4,887	5,072
Interest-earning deposits with banks (b) (d)	12,135	3,984	1,169	1,610	4,488
Investment securities (b)	60,294	61,406	60,634	64,262	56,027
Loans held for sale (c)	2,255	3,693	2,936	3,492	2,539
Goodwill and other intangible assets	11,290	10,869	10,144	10,753	12,909
Equity investments (b) (e)	10,664	10,877	10,134	9,220	10,254
Noninterest-bearing deposits	70,306	69,980	59,048	50,019	44,384
Interest-bearing deposits	150,625	143,162	128,918	133,371	142,538
Total deposits	220,931	213,142	187,966	183,390	186,922
Transaction deposits (f)	186,391	176,705	147,637	134,654	126,244
Borrowed funds (b) (c) (g)	46,105	40,907	36,704	39,488	39,261
Total shareholders' equity	42,408	39,003	34,053	30,242	29,942
Common shareholders' equity	38,467	35,413	32,417	29,596	22,011
CLIENT ASSETS (billions)					
Discretionary assets under management	$ 127	$ 112	$ 107	$ 108	$ 103
Nondiscretionary assets under management	120	112	103	104	102
Total assets under administration	247	224	210	212	205
Brokerage account assets (h)	41	38	34	34	32
Total client assets	$ 288	$ 262	$ 244	$ 246	$ 237
SELECTED RATIOS					
Net interest margin (i)	3.57%	3.94%	3.92%	4.14%	3.82%
Noninterest income to total revenue	43	38	39	39	44
Efficiency	61	68	64	57	56
Return on					
Average common shareholders' equity	10.88	8.31	9.56	10.88	9.78
Average assets	1.38	1.02	1.16	1.28	.87
Loans to deposits	89	87	85	82	84
Dividend payout	23.0	29.0	20.2	6.8	21.4
Basel I Tier 1 common	10.5	9.6	10.3	9.8	6.0
Basel I Tier 1 risk-based	12.4	11.6	12.6	12.1	11.4
Common shareholders' equity to total assets	12.0	11.6	12.0	11.2	8.2
Average common shareholders' equity to average assets	11.9	11.5	11.9	10.4	7.2
SELECTED STATISTICS					
Employees	54,433	56,285	51,891	50,769	55,820
Retail Banking branches	2,714	2,881	2,511	2,470	2,513
ATMs	7,445	7,282	6,806	6,673	6,473
Residential mortgage servicing portfolio – Serviced for Third Parties (in billions)	$ 114	$ 119	$ 118	$ 125	$ 145
Commercial mortgage servicing portfolio (in billions)	$ 308	$ 282	$ 267	$ 266	$ 287

(a) Includes the impact of RBC Bank (USA), which we acquired on March 2, 2012.
(b) Amounts include consolidated variable interest entities. See Consolidated Balance Sheet in Item 8 of this Report for additional information.
(c) Amounts include assets and liabilities for which we have elected the fair value option. See Consolidated Balance Sheet in Item 8 of this Report for additional information.
(d) Amounts include balances held with the Federal Reserve Bank of Cleveland of $11.7 billion, $3.5 billion, $.4 billion, $1.0 billion and $4.1 billion as of December 31, 2013, 2012, 2011, 2010 and 2009, respectively.
(e) Amounts include our equity interest in BlackRock.
(f) Represents the sum of interest-bearing money market deposits, interest-bearing demand deposits, and noninterest-bearing deposits.
(g) Includes long-term borrowings of $27.6 billion, $19.3 billion, $20.9 billion, $24.8 billion, and $26.3 billion for 2013, 2012, 2011, 2010 and 2009, respectively. Borrowings which mature more than one year after December 31, 2013 are considered to be long-term.
(h) Amounts for 2013, 2012, 2011 and 2010 include cash and money market balances.
(i) Calculated as taxable-equivalent net interest income divided by average earning assets. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of net interest 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 accounting principles generally accepted in the United States of America (GAAP) on the Consolidated Income Statement. The taxable-equivalent adjustments to net interest income for the years 2013, 2012, 2011, 2010 and 2009 were $168 million, $144 million, $104 million, $81 million and $65 million, respectively.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

EXECUTIVE SUMMARY

KEY STRATEGIC GOALS

At PNC we manage our company for the long term. We are focused on the fundamentals of growing customers, loans, deposits and fee revenue and improving profitability, while investing for the future and managing risk, expenses and capital. We continue to invest in our products, markets and brand, and embrace our corporate responsibility to the communities where we do business.

We strive to expand and deepen customer relationships by offering a broad range of fee-based and credit products and services. We are focused on delivering those products and services where, when and how our customers want to receive them with the goal of offering insight that reflects their specific needs. Our approach is concentrated on organically growing and deepening client relationships that meet our risk/return measures. Our strategies for growing fee income across our lines of business are focused on achieving deeper market penetration and cross selling our diverse product mix.

Our strategic priorities are designed to enhance value over the long term. A key priority is to drive growth in acquired and underpenetrated markets, including in the Southeast. We are seeking to attract more of the investable assets of new and existing clients. PNC is focused on redefining our retail banking business to a more customer-centric and sustainable model while lowering delivery costs as customer banking preferences evolve. We are working to build a stronger residential mortgage banking business with the goal of becoming the provider of choice for our customers. Additionally, we continue to focus on expense management while bolstering critical infrastructure and streamlining our processes.

Our capital priorities are to support client growth and business investment, maintain appropriate capital in light of economic uncertainty and the Basel III framework and return excess capital to shareholders, in accordance with our capital plan included in our 2014 Comprehensive Capital Analysis and Review (CCAR) submission to the Board of Governors of the Federal Reserve System (Federal Reserve). We continue to improve our capital levels and ratios through retention of quarterly earnings and expect to build capital through retention of future earnings. PNC continues to maintain adequate liquidity positions at both PNC and PNC Bank, National Association (PNC Bank, N.A.). For more detail, see the Capital and Liquidity Actions portion of this Executive Summary, the Funding and Capital Sources portion of the Consolidated Balance Sheet Review section and the Liquidity Risk Management section of this Item 7 and the Supervision and Regulation section in Item 1 Business of this Report.

PNC faces a variety of risks that may impact various aspects of our risk profile from time to time. The extent of such impacts may vary depending on factors such as the current economic, political and regulatory environment, merger and acquisition activity and operational challenges. Many of these risks and our risk management strategies are described in more detail elsewhere in this Report.

RECENT MARKET AND INDUSTRY DEVELOPMENTS

There have been numerous legislative and regulatory developments and dramatic changes in the competitive landscape of our industry over the last several years. The United States and other governments have undertaken major reform of the regulation of the financial services industry, including engaging in new efforts to impose requirements designed to strengthen the stability of the financial system and protect consumers and investors. We expect to face further increased regulation of our industry as a result of current and future initiatives intended to enhance the regulation of financial services companies, the stability of the financial system, the protection of consumers and investors, and the liquidity and solvency of financial institutions and markets. We also expect in many cases more intense scrutiny from our supervisors in the examination process and more aggressive enforcement of regulations on both the federal and state levels. Compliance with new regulations will increase our costs and reduce our revenue. Some new regulations may limit our ability to pursue certain desirable business opportunities.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in July 2010, mandates the most wide-ranging overhaul of financial industry regulation in decades. Many parts of the law are now in effect, and others are now in the implementation stage, which is likely to continue for several years. Dodd-Frank (through provisions commonly known as the "Volcker Rule") prohibits banks and their affiliates from engaging in some types of proprietary trading and restricts the ability of banks and their affiliates to sponsor, invest in or have other financial relationships with private equity, hedge and similar funds. In December 2013, the five agencies with authority for rulemaking issued final rules to implement the Volcker Rule. At the same time, the Federal Reserve also issued an order that extended, until July 21, 2015, the date by which banking entities (including PNC) must conform their activities and investments to the limitations and requirements of the final rule. For additional information on the final regulations implementing the Volcker Rule, as well as the potential impact of them on PNC, see the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of this Report.

In January 2014, the Office of the Comptroller of the Currency (OCC) requested comment on a proposal that would establish enforceable minimum guidelines governing the design and implementation of an effective risk governance framework at large national banks, including PNC Bank, N.A. The proposal, which builds upon heightened supervisory expectations that the OCC began communicating to large banks in 2010, would establish standards governing, among other things, the roles, responsibilities and organizational structure of the risk management and internal audit functions of large national banks, and the role and responsibilities of a bank's Board of Directors in overseeing the bank's risk governance framework. The standards have not been finalized and remain subject to modification. However, if the standards were adopted as proposed, we do not expect that the standards would have a material effect on PNC.

On February 18, 2014, the Federal Reserve adopted final rules to implement enhanced prudential standards relating to liquidity and overall risk management for U.S. bank holding companies with total consolidated assets of $50 billion or more, as required under section 165 of Dodd-Frank. The final rules also implement the provisions of Dodd-Frank that require the Federal Reserve to impose a maximum debt-to-equity ratio on a bank holding company if the Financial Stability Oversight Council determines that, among other things, the company poses a grave threat to the financial stability of the United States. For additional information regarding these final rules, as well as the other enhanced prudential standards that the Federal Reserve is required to establish under section 165 of Dodd-Frank, please see the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of this Report.

On July 31, 2013, the United States District Court for the District of Columbia granted summary judgment to the plaintiffs in *NACS, et al. v. Board of Governors of the Federal Reserve System.* The decision vacated the debit card interchange and network processing rules that went into effect in October 2011 and that were adopted by the Federal Reserve to implement provisions of Dodd-Frank. The court found among other things that the debit card interchange fees permitted under the rules allowed card issuers to recover costs that were not permitted by the statute. The court has stayed its decision pending appeal, and the United States Court of Appeals for the District of Columbia Circuit granted an expedited appeal. Briefing has been completed and oral argument was held in January 2014. In light of the appeal we do not now know the ultimate impact of the District Court's ruling, nor the timing of any such impact if such ruling is affirmed or substantially affirmed on appeal, but if the ruling were to take effect it could have a materially adverse impact on our debit card interchange revenues. Debit card interchange revenue for the year ended December 31, 2013 was approximately $338 million.

For additional information concerning recent legislative and regulatory developments, as well as certain governmental, legislative and regulatory inquiries and investigations that may affect PNC, please see the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors, and Note 23 Legal Proceedings and Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

Our financial performance is substantially affected by a number of external factors outside of our control, including the following:

- General economic conditions, including the continuity, speed and stamina of the current U.S. economic expansion in general and on our customers in particular,
- The monetary policy actions and statements of the Federal Reserve and the Federal Open Market Committee (FOMC),
- 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 non-loan 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 and actions, including those outlined elsewhere in this Report and in our other SEC filings, and
- The impact of market credit spreads on asset valuations.

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

- Focused execution of strategic priorities for organic customer growth opportunities,
- Further success in growing profitability through the acquisition and retention of customers and deepening relationships,
- Driving growth in acquired and underpenetrated geographic markets, including our Southeast markets,
- Our ability to effectively manage PNC's balance sheet and generate net interest income,
- Revenue growth from fee income and our ability to provide innovative and valued products to our customers,
- Our ability to utilize technology to develop and deliver products and services to our customers and protect PNC's systems and customer information,
- Our ability to enhance our critical infrastructure and streamline our core processes,
- Our ability to manage and implement strategic business objectives within the changing regulatory environment,
- A sustained focus on expense management,
- Improving our overall asset quality,
- Managing the non-strategic assets portfolio and impaired assets,

- Continuing to maintain and grow our deposit base as a low-cost funding source,
- Prudent risk and capital management related to our efforts to manage risk to acceptable levels and to meet evolving regulatory capital and liquidity standards,
- Actions we take within the capital and other financial markets,
- The impact of legal and regulatory-related contingencies, and
- The appropriateness of reserves needed for critical accounting estimates and related contingencies.

For additional information, please see the Cautionary Statement Regarding Forward-Looking Information section in this Item 7 and Item 1A Risk Factors in this Report.

Table 1: Summary Financial Results

Year ended December 31	2013	2012
Net income (millions)	$4,227	$3,001
Diluted earnings per common share from net income	$ 7.39	$ 5.30
Return from net income on:		
Average common shareholders’ equity	10.88%	8.31%
Average assets	1.38%	1.02%

INCOME STATEMENT HIGHLIGHTS

Our performance in 2013 included the following:

- Net income for 2013 of $4.2 billion increased 41% compared to 2012. The increase was driven by a 7% reduction of noninterest expense, a 3% increase in revenue and a decline in provision for credit losses. The increase in revenue was driven by higher noninterest income, partially offset by lower net interest income. For additional detail, please see the Consolidated Income Statement Review section in this Item 7.
- Net interest income of $9.1 billion for 2013 decreased 5% compared with 2012, as a result of a decline in purchase accounting accretion, the impact of lower yields on loans and securities, and the impact of lower securities balances, partially offset by higher loan balances, reflecting commercial and consumer loan growth over the period, and lower rates paid on borrowed funds and deposits.
- Net interest margin decreased to 3.57% for 2013 compared to 3.94% for 2012, reflecting lower yields on earning assets and lower purchase accounting accretion.
- Noninterest income of $6.9 billion for 2013 increased $1.0 billion compared to 2012, primarily due to higher residential mortgage revenue, which was driven by improvement in the provision for residential mortgage repurchase obligations, strong client fee income and higher gains on asset valuations, partially offset by lower gains on asset sales.
- The provision for credit losses decreased to $643 million for 2013 compared to $987 million for 2012 due to continued credit quality improvement, including improvement in our purchased impaired loan portfolio.
- Noninterest expense of $9.8 billion for 2013 decreased 7% compared with 2012 as we continued to focus on disciplined expense management. The decline included lower noncash charges related to redemption of trust preferred securities and the impact of 2012 integration costs.

CREDIT QUALITY HIGHLIGHTS

- Overall credit quality continued to improve during 2013.
- Nonperforming assets decreased $.3 billion, or 9%, to $3.5 billion at December 31, 2013 compared to December 31, 2012. Nonperforming assets to total assets were 1.08% at December 31, 2013, compared to 1.24% at December 31, 2012.
- Overall delinquencies of $2.5 billion decreased $1.3 billion, or 33%, compared with December 31, 2012.
- Net charge-offs of $1.1 billion in 2013 were down 16% compared to net charge-offs of $1.3 billion in 2012. Net charge-offs were 0.57% of average loans in 2013 and 0.73% of average loans in 2012.
- The allowance for loan and lease losses was 1.84% of total loans and 117% of nonperforming loans at December 31, 2013, compared with 2.17% and 124% at December 31, 2012, respectively.
- The above comparisons to December 31, 2012 were impacted by alignment with interagency guidance in the first quarter of 2013 on practices for loans and lines of credit related to consumer lending. This had the overall effect of (i) accelerating charge-offs, (ii) increasing nonperforming loans and (iii) in the case of loans accounted for under the fair value option, increasing nonaccrual loans. See the Credit Risk Management section of this Item 7 and Note 5 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report for further detail.

BALANCE SHEET HIGHLIGHTS

- Total loans increased by $9.8 billion to $196 billion at December 31, 2013 compared to December 31, 2012.
  - Total commercial lending increased by $8.2 billion, or 8%, from December 31, 2012, as a result of growth in commercial loans to new and existing customers.
  - Total consumer lending increased $1.6 billion, or 2%, from December 31, 2012, primarily from growth in automobile and home equity loans, partially offset by paydowns of education loans.
- Total deposits increased by $7.8 billion to $221 billion at December 31, 2013 compared with December 31, 2012, driven by growth in transaction deposits.

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- PNC enhanced its liquidity position in light of anticipated regulatory requirements as reflected in higher balances of interest-earning deposits with banks and borrowed funds.
- PNC's well-positioned balance sheet remained core funded with a loans to deposits ratio of 89% at December 31, 2013.
- PNC had a strong capital position at December 31, 2013.
  - The Basel I Tier 1 common capital ratio increased to 10.5% compared with 9.6% at December 31, 2012.
  - The pro forma fully phased-in Basel III Tier 1 common capital ratio increased to an estimated 9.4% at December 31, 2013 compared with 7.5% at December 31, 2012. The ratio at December 31, 2013 was calculated using PNC's estimated risk-weighted assets under the Basel III standardized approach, while the ratio for December 31, 2012 was calculated using PNC's estimated risk-weighted assets under the Basel III advanced approaches. Our pro forma fully phased-in Basel III Tier 1 common ratio at December 31, 2013 calculated using PNC's estimated risk-weighted assets under the Basel III advanced approaches was 9.5%. See the Capital discussion and Table 19 in the Consolidated Balance Sheet Review section of this Item 7 for more detail.

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 during 2013 and 2012 and balances at December 31, 2013 and December 31, 2012, respectively.

CAPITAL AND LIQUIDITY ACTIONS

Our ability to take certain capital actions, including plans to pay or increase common stock dividends or to repurchase shares under current or future programs, is subject to the results of the supervisory assessment of capital adequacy undertaken by the Federal Reserve and our primary bank regulators as part of the CCAR process.

In connection with the 2013 CCAR, PNC submitted its 2013 capital plan, approved by its Board of Directors, to the Federal Reserve in January 2013. As we announced on March 14, 2013, the Federal Reserve accepted the capital plan and did not object to our proposed capital actions, which included a recommendation to increase the quarterly common stock dividend in the second quarter of 2013. In April 2013, our Board of Directors approved an increase to PNC's quarterly common stock dividend from 40 cents per common share to 44 cents per common share. A share repurchase program for 2013 was not included in the capital plan primarily as a result of PNC's 2012 acquisition of RBC Bank (USA) and expansion into Southeastern markets.

In connection with the 2014 CCAR, PNC submitted its 2014 capital plan, approved by its Board of Directors, to the Federal Reserve in January 2014. PNC expects to receive the Federal Reserve's response (either a non-objection or objection) to the capital plan submitted as part of the 2014 CCAR in March 2014.

For additional information concerning the CCAR process and the factors the Federal Reserve takes into consideration in evaluating capital plans, see Item 1 Business – Supervision and Regulation.

See the Liquidity Risk Management portion of the Risk Management section of this Item 7 for more detail on our 2013 capital and liquidity actions.

2012 ACQUISITION AND DIVESTITURE ACTIVITY

See Note 2 Acquisition and Divestiture Activity in the Notes To Consolidated Financial Statements in Item 8 of this Report for information regarding our March 2, 2012 RBC Bank (USA) acquisition and other 2012 acquisition and divestiture activity.

AVERAGE CONSOLIDATED BALANCE SHEET HIGHLIGHTS

Table 2: Summarized Average Balance Sheet

Year ended December 31 Dollars in millions	2013	2012	Change $	Change %
Average assets				
Interest-earning assets				
Investment securities	$ 57,319	$ 60,816	$ (3,497)	(6)%
Loans	189,973	176,618	13,355	8%
Other	13,353	11,120	2,233	20%
Total interest-earning assets	260,645	248,554	12,091	5%
Noninterest-earning assets	45,121	46,471	(1,350)	(3)%
Total average assets	$305,766	$295,025	$10,741	4%
Average liabilities and equity				
Interest-bearing liabilities				
Interest-bearing deposits	$146,000	$139,942	$ 6,058	4%
Borrowed funds	40,022	41,844	(1,822)	(4)%
Total interest-bearing liabilities	186,022	181,786	4,236	2%
Noninterest-bearing deposits	66,168	61,610	4,558	7%
Other liabilities	11,202	11,587	(385)	(3)%
Equity	42,374	40,042	2,332	6%
Total average liabilities and equity	$305,766	$295,025	$10,741	4%

Total assets were $320.3 billion at December 31, 2013 compared with $305.1 billion at December 31, 2012. The increase from year end 2012 was primarily due to loan growth and higher interest-earning deposits with banks, partially offset by lower investment securities and a decline in loans held for sale.

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 and divestitures. The Consolidated Balance Sheet Review section of this Item 7 provides information on changes in selected Consolidated Balance Sheet categories at December 31, 2013 compared with December 31, 2012.

The increase in total average assets in the comparison of 2013 to 2012 was primarily due to an increase in average total loans.

The increase in average loans in 2013 was driven by increases in average commercial loans of $9.4 billion, average consumer loans of $2.4 billion and average commercial real estate loans of $1.4 billion. The overall increase in loans reflected organic loan growth, primarily in our Corporate & Institutional Banking segment.

Loans represented 73% of average interest-earning assets for 2013 and 71% of average interest-earning assets for 2012.

Average investment securities decreased during 2013 compared with 2012 primarily as a result of principal payments, including prepayments and maturities, partially offset by net purchase activity. Total investment securities comprised 22% of average interest-earning assets in 2013 and 24% in 2012.

Average noninterest-earning assets decreased in 2013 compared with 2012, primarily reflecting decreased unsettled securities sales, which are included in noninterest-earning assets for average balance sheet purposes.

Average total deposits increased $10.6 billion in 2013 compared with the prior year, primarily due to an increase of $15.0 billion in average transaction deposits, which grew to $176.9 billion in 2013. Higher average interest-bearing demand deposits, average money market deposits and average noninterest-bearing deposits drove the increase in average transaction deposits. These increases were partially offset by a decrease of $4.3 billion in average retail certificates of deposit attributable to runoff of maturing accounts. Total deposits at December 31, 2013 were $220.9 billion compared with $213.1 billion at December 31, 2012 and are further discussed within the Consolidated Balance Sheet Review section of this Item 7.

Average total deposits represented 69% of average total assets for 2013 and 68% for 2012.

The decrease in average borrowed funds in 2013 compared with 2012 was primarily due to lower average commercial paper, lower average Federal Home Loan Bank (FHLB) borrowings and lower average federal funds purchased and repurchase agreements. Total borrowed funds at December 31, 2013 were $46.1 billion compared with $40.9 billion at December 31, 2012 and are further discussed within the Consolidated Balance Sheet Review section of this Item 7. The Liquidity Risk Management portion of the Risk Management section of this Item 7 includes additional information regarding our borrowed funds.

BUSINESS SEGMENT HIGHLIGHTS

Total business segment earnings were $4.0 billion in 2013 and $3.4 billion in 2012. The Business Segments Review section of this Item 7 includes further analysis of our business segment results during 2013 and 2012, including presentation differences from Note 26 Segment Reporting in our Notes To Consolidated Financial Statements in Item 8 of this Report. Note 26 Segment Reporting presents results of businesses for 2013, 2012 and 2011.

We provide a reconciliation of total business segment earnings to PNC total consolidated net income as reported on a GAAP basis in Note 26 Segment Reporting in our Notes To Consolidated Financial Statements in Item 8 of this Report.

Table 3: Results of Businesses – Summary
(Unaudited)

Year ended December 31 In millions	Net Income (Loss) 2013	Net Income (Loss) 2012	Revenue 2013	Revenue 2012	Average Assets (a) 2013	Average Assets (a) 2012
Retail Banking	$ 550	$ 596	$ 6,100	$ 6,328	$ 74,971	$ 72,573
Corporate & Institutional Banking	2,264	2,328	5,506	5,697	112,970	102,962
Asset Management Group	162	145	1,040	973	7,366	6,735
Residential Mortgage Banking	148	(308)	1,100	526	9,896	11,529
BlackRock	469	395	621	512	6,272	5,857
Non-Strategic Assets Portfolio	379	237	742	843	9,987	12,050
Total business segments	3,972	3,393	15,109	14,879	221,462	211,706
Other (b) (c) (d)	255	(392)	903	633	84,304	83,319
Total	$4,227	$3,001	$16,012	$15,512	$305,766	$295,025

(a) Period-end balances for BlackRock.
(b) "Other" average assets include investment securities associated with asset and liability management activities.
(c) "Other" includes differences between the total business segment financial results and our total consolidated net income. Additional detail is included in Note 26 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report.
(d) The increase in net income for 2013 compared to 2012 for "Other" primarily reflects lower noncash charges related to redemptions of trust preferred securities in 2013 compared to the prior year, as well as the impact of integration costs recorded in 2012.

CONSOLIDATED INCOME STATEMENT REVIEW

Our Consolidated Income Statement is presented in Item 8 of this Report.

Net income for 2013 was $4.2 billion, an increase of 41% compared with $3.0 billion for 2012. The increase was driven by a 7% decline in noninterest expense, a 3% increase in revenue and lower provision for credit losses. The decline in noninterest expense reflected our continued focus on disciplined expense management. Higher revenue in the comparison was driven by improvement in the provision for residential mortgage repurchase obligations, strong client fee income and higher gains on asset valuations, partially offset by lower net interest income and lower gains on asset sales.

NET INTEREST INCOME

Table 4: Net Interest Income and Net Interest Margin

Dollars in millions	Year ended December 31 2013	Year ended December 31 2012
Net interest income	$9,147	$9,640
Net interest margin	3.57%	3.94%

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 (Unaudited) – Average Consolidated Balance Sheet And Net Interest Analysis and Analysis Of Year-To-Year Changes in Net Interest Income in Item 8 of this Report and the discussion of purchase accounting accretion of purchased impaired loans in the Consolidated Balance Sheet review in this Item 7 for additional information.

Net interest income decreased by $493 million, or 5%, in 2013 compared with 2012, reflecting a decline in purchase accounting accretion in the comparison, the impact of lower yields on loans and securities, and the impact of lower securities balances. These decreases were partially offset by higher loan balances, reflecting commercial and consumer loan growth over the period, and lower rates paid on borrowed funds and deposits. Total purchase accounting accretion was $.8 billion for 2013 compared to $1.1 billion in 2012.

Net interest margin declined 37 basis points in 2013 compared with 2012 due to lower purchase accounting accretion and lower yields on interest-earning assets, which decreased 48 basis points, partially offset by a decrease in the weighted-average rate paid on total interest-bearing liabilities of 14 basis points.

The decrease in the yield on interest-earning assets was primarily due to lower rates on new loans and purchased securities in the ongoing low interest rate environment, as well as the impact of higher levels of interest-earning deposits with banks maintained in light of anticipated regulatory requirements. The decrease in the rate paid on interest-bearing liabilities was primarily due to redemptions of higher-rate bank notes and senior debt and subordinated debt, including the redemption of trust preferred and hybrid capital securities.

With respect to the first quarter of 2014, we expect net interest income to be down modestly compared with the fourth quarter of 2013 reflecting an anticipated continued decline in total purchase accounting accretion and the impact of fewer days in the first quarter somewhat offset by modest loan growth.

For the full year 2014, we expect total purchase accounting accretion to be down approximately $300 million compared with 2013.

NONINTEREST INCOME

Table 5: Noninterest Income

Year ended December 31 Dollars in millions	2013	2012	Change $	Change %
Noninterest income				
Asset management	$1,342	$1,169	$ 173	15%
Consumer services	1,253	1,136	117	10%
Corporate services	1,210	1,166	44	4%
Residential mortgage	871	284	587	207%
Service charges on deposits	597	573	24	4%
Net gains on sales of securities	99	204	(105)	(51)%
Net other-than-temporary impairments	(16)	(111)	95	(86)%
Other	1,509	1,451	58	4%
Total noninterest income	$6,865	$5,872	$ 993	17%

Noninterest income increased during 2013 compared to 2012 due to higher residential mortgage revenue, which was driven by improvement in the provision for residential mortgage repurchase obligations, strong client fee income and higher gains on asset valuations, partially offset by lower gains on asset sales. Noninterest income as a percentage of total revenue was 43% for 2013, up from 38% for 2012.

Asset management revenue increased in 2013 compared to 2012, driven by higher earnings from our BlackRock investment, stronger average equity markets and strong sales resulting in positive net flows, after adjustments to total net flows for cyclical client activities. Discretionary assets under management increased to $127 billion at December 31, 2013 compared with $112 billion at December 31, 2012.

The increase in consumer service fees in 2013 compared to 2012 was due to growth in brokerage fees and the impact of higher customer-initiated fee based transactions.

Corporate services revenue increased to $1.2 billion in 2013. This increase included the impact of higher valuation gains from rising interest rates on net commercial mortgage servicing rights valuations, which were gains of $68 million in 2013 compared with $31 million for 2012. The increase in corporate services revenue was primarily due to higher net commercial mortgage servicing rights valuations, higher commercial mortgage fees, net of amortization, and higher treasury management fees, partially offset by lower merger and acquisition advisory fees.

Residential mortgage revenue increased to $871 million in 2013 from $284 million in 2012. The increase was driven by improvement in the provision for residential mortgage repurchase obligations, which was a benefit of $53 million in 2013 compared with a provision of $761 million in 2012. The release of reserves in 2013 was largely the result of agreements with two government-sponsored enterprises (GSEs), FHLMC and FNMA, for loans sold into agency securitizations. See the Recourse And Repurchase Obligations section of this Financial Review for further detail. This benefit was partially offset by lower loan sales revenue resulting from an increase in mortgage interest rates which had the effect of reducing gain on sale margins and, to a lesser extent, loan origination volume.

Other noninterest income increased to $1.5 billion in 2013 due to higher revenue associated with private equity investments and commercial mortgage loans held for sale. In addition, the increase reflected higher revenue from credit valuations for customer-related derivatives activities as higher market interest rates reduced the fair value of PNC’s credit exposure on these activities. The impact to 2013 revenue due to these credit valuations was $56 million, while the impact to 2012 revenue was not significant. These increases were partially offset by lower gains on sale of Visa Class B common shares, which were $168 million on the sale of 4 million shares in 2013 compared with gains of $267 million on the sale of 9 million shares in 2012.

We held approximately 10 million Visa Class B common shares with a fair value of approximately $971 million and recorded investment of $158 million as of December 31, 2013.

Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed. Further details regarding our customer-related trading activities are included in the Market Risk Management – Customer-Related Trading Risk portion of the Risk Management section of this Item 7. Further details regarding private and other equity 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 of this Item 7.

In the first quarter of 2014, we expect fee income to be lower compared with the fourth quarter of 2013 due to the fourth quarter benefit from the release of reserves for residential mortgage repurchase obligations as well as some seasonal impact on the comparison.

For full year 2014, we expect total revenue to continue to be under pressure and likely to be down compared to 2013 due to an expected $300 million decline in purchase accounting accretion as well as lower expected residential mortgage revenue, partially offset by the impact of our ability to grow loans and sustain growth in our fee-based businesses.

Provision For Credit Losses

The provision for credit losses totaled $643 million in 2013 compared with $987 million in 2012. The decrease in provision compared to prior year was the result of continued credit quality improvement, including improvement in our purchased impaired loan portfolio. Increasing value of residential real estate is among the factors contributing to improved credit quality.

We currently expect our provision for credit losses in the first quarter of 2014 to be between $125 million and $200 million, assuming credit quality improvements continue.

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

Noninterest Expense

Noninterest expense was $9.8 billion for 2013, a decrease of $.8 billion, or 7%, from $10.6 billion for 2012. The decline reflected the impact of 2012 integration costs of $267 million and a reduction in noncash charges related to redemption of trust preferred securities to $57 million in 2013 from $295 million in 2012. Additionally, residential mortgage foreclosure-related expenses declined to $56 million from $225 million in the same comparison. These decreases to noninterest expense were partially offset by the impact of a full year of operating expense for the March 2012 RBC Bank (USA) acquisition during 2013 compared to 2012.

In the third quarter of 2013, we concluded redemptions of discounted trust preferred securities assumed in our acquisitions. Since the fourth quarter of 2011, we have redeemed a total of $3.2 billion of these higher-rate trust preferred securities, resulting in noncash charges totaling approximately $550 million.

Reflecting our continued focus on disciplined expense management, we exceeded our 2013 continuous improvement cost savings goal of $700 million with cost savings of more than $775 million during 2013. We plan to sustain these efforts in 2014 and have a continuous improvement savings goal of $500 million. Similar to 2013, we expect to offset these savings in 2014 with investments in our infrastructure and diversified businesses, including our Retail Banking transformation, consistent with our strategic priorities.

For the first quarter of 2014, we expect noninterest expense to be down by mid-single digits on a percentage basis compared with the fourth quarter of 2013, and for full year 2014, we expect noninterest expense to be lower compared with 2013, in each case apart from the impact of potential legal and regulatory contingencies. In the first quarter of 2014, we intend to early adopt new accounting guidance regarding low income housing tax credits. As a result, noninterest expense on certain tax credit investments will be reclassified to income tax expense. Due to retrospective application of the accounting change, this reclassification is not expected to have an impact on our expense guidance for the year.

Effective Income Tax Rate

The effective income tax rate was 24.1% for 2013 compared with 23.9% for 2012.

The effective tax rate is generally lower than the statutory rate primarily due to tax credits PNC receives from our investments in low income housing and new markets investments, as well as earnings in other tax exempt investments.

CONSOLIDATED BALANCE SHEET REVIEW

Table 6: Summarized Balance Sheet Data

Year ended December 31 Dollars in millions	2013	2012	Change $	Change %
Assets				
Interest-earning deposits with banks	$ 12,135	$ 3,984	$ 8,151	205%
Loans held for sale	2,255	3,693	(1,438)	(39)%
Investment securities	60,294	61,406	(1,112)	(2)%
Loans	195,613	185,856	9,757	5%
Allowance for loan and lease losses	(3,609)	(4,036)	427	11%
Goodwill	9,074	9,072	2	0%
Other intangible assets	2,216	1,797	419	23%
Other, net	42,318	43,335	(1,017)	(2)%
Total assets	$320,296	$305,107	$15,189	5%
Liabilities				
Deposits	$220,931	$213,142	$ 7,789	4%
Borrowed funds	46,105	40,907	5,198	13%
Other	9,163	9,293	(130)	(1)%
Total liabilities	276,199	263,342	12,857	5%
Equity				
Total shareholders' equity	42,408	39,003	3,405	9%
Noncontrolling interests	1,689	2,762	(1,073)	(39)%
Total equity	44,097	41,765	2,332	6%
Total liabilities and equity	$320,296	$305,107	$15,189	5%

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

The increase in total assets was primarily due to loan growth and higher interest-earning deposits with banks, partially offset by lower investment securities and a decline in loans held for sale. The increase in interest-earning deposits with banks was to enhance PNC's liquidity position in light of anticipated regulatory requirements. Interest-earning deposits with banks included balances held with the Federal Reserve Bank of Cleveland of $11.7 billion and $3.5 billion at December 31, 2013 and December 31, 2012, respectively. The increase in liabilities was largely due to growth in deposits and higher Federal Home Loan Bank borrowings and bank notes and senior debt, partially offset by a decline in commercial paper. An analysis of changes in selected balance sheet categories follows.

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LOANS

A summary of the major categories of loans outstanding follows. Outstanding loan balances of $195.6 billion at December 31, 2013 and $185.9 billion at December 31, 2012 were net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $2.1 billion at December 31, 2013 and $2.7 billion at December 31, 2012, respectively. The balances include purchased impaired loans but do not include future accretable net interest (*i.e.*, the difference between the undiscounted expected cash flows and the carrying value of the loan) on those loans.

Table 7: Details Of Loans

Year ended December 31 Dollars in millions	2013	2012	Change $	Change %
Commercial lending				
Commercial				
Retail/wholesale trade	$ 15,530	$ 14,353	$ 1,177	8%
Manufacturing	16,208	14,841	1,367	9%
Service providers	13,052	12,606	446	4%
Real estate related (a)	10,729	10,616	113	1%
Financial services	4,927	4,356	571	13%
Health care	8,690	7,763	927	12%
Other industries	19,242	18,505	737	4%
Total commercial (b)	88,378	83,040	5,338	6%
Commercial real estate				
Real estate projects (c)	13,613	12,347	1,266	10%
Commercial mortgage	7,578	6,308	1,270	20%
Total commercial real estate	21,191	18,655	2,536	14%
Equipment lease financing	7,576	7,247	329	5%
Total commercial lending (d)	117,145	108,942	8,203	8%
Consumer lending				
Home equity				
Lines of credit	21,696	23,576	(1,880)	(8)%
Installment	14,751	12,344	2,407	19%
Total home equity	36,447	35,920	527	1%
Residential real estate				
Residential mortgage	14,418	14,430	(12)	–%
Residential construction	647	810	(163)	(20)%
Total residential real estate	15,065	15,240	(175)	(1)%
Credit card	4,425	4,303	122	3 %
Other consumer				
Education	7,534	8,238	(704)	(9)%
Automobile	10,827	8,708	2,119	24 %
Other	4,170	4,505	(335)	(7)%
Total consumer lending	78,468	76,914	1,554	2 %
Total loans	$195,613	$185,856	$ 9,757	5 %

(a) Includes loans to customers in the real estate and construction industries.
(b) During the third quarter of 2013, PNC revised its policy to classify commercial loans initiated through a Special Purpose Entity (SPE) to be reported based upon the industry of the sponsor of the SPE. This resulted in a reclassification of loans amounting to $4.7 billion at December 31, 2012 that were previously classified as Financial Services to other categories within Commercial Lending.
(c) Includes both construction loans and intermediate financing for projects.
(d) Construction loans with interest reserves and A/B Note restructurings are not significant to PNC.

The increase in loans was driven by the increase in commercial lending as a result of growth in commercial and commercial real estate loans, primarily from new customers and organic growth. The increase in consumer lending resulted from growth in automobile loans, partially offset by paydowns of education loans.

Loans represented 61% of total assets at both December 31, 2013 and December 31, 2012. Commercial lending represented 60% of the loan portfolio at December 31, 2013 and 59% at December 31, 2012. Consumer lending represented 40% of the loan portfolio at December 31, 2013 and 41% at December 31, 2012.

Commercial real estate loans represented 11% of total loans at December 31, 2013 and 10% at December 31, 2012 and represented 7% of total assets at December 31, 2013 and 6% at December 31, 2012. See the Credit Risk Management portion of the Risk Management section of this Item 7 for additional information regarding our loan portfolio.

Total loans above include purchased impaired loans of $6.1 billion, or 3% of total loans, at December 31, 2013, and $7.4 billion, or 4% of total loans, at December 31, 2012.

Our loan portfolio continued to be diversified among numerous industries, types of businesses and consumers across our principal geographic markets.

Allowance for Loan and Lease Losses (ALLL)

Our total ALLL of $3.6 billion at December 31, 2013 consisted of $1.5 billion and $2.1 billion established for the commercial lending and consumer lending categories, respectively. The ALLL included what we believe to be appropriate loss coverage on all loans, including higher risk loans, in the commercial and consumer portfolios. We do not consider government insured or guaranteed loans to be higher risk as defaults have historically been materially mitigated by payments of insurance or guarantee amounts for approved claims. Additional information regarding our higher risk loans is included in the Credit Risk Management portion of the Risk Management section of this Item 7 and Note 5 Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in our Notes To Consolidated Financial Statements included in Item 8 of this Report.

Purchase Accounting Accretion and Valuation of Purchased Impaired Loans

Information related to purchase accounting accretion and accretable yield for 2013 and 2012 follows. Additional information is provided in Note 6 Purchased Loans in the Notes To Consolidated Financial Statements of this Report.

Table 8: Accretion – Purchased Impaired Loans

In millions	2013	2012
Accretion on purchased impaired loans		
Scheduled accretion	$ 580	$ 671
Reversal of contractual interest on impaired loans	(314)	(404)
Scheduled accretion net of contractual interest	266	267
Excess cash recoveries	115	157
Total	$ 381	$ 424

Table 9: Purchased Impaired Loans – Accretable Yield

In millions	2013	2012
January 1	$2,166	$2,109
Addition of accretable yield due to RBC Bank (USA) acquisition on March 2, 2012		587
Scheduled accretion	(580)	(671)
Excess cash recoveries	(115)	(157)
Net reclassifications to accretable from non-accretable and other activity (a)	584	298
December 31 (b)	$2,055	$2,166

(a) Approximately 63% of the net reclassifications for the year were within the consumer portfolio primarily due to increases in the expected average life of residential and home equity loans. The remaining net reclassifications were predominantly due to future cash flow improvements within the commercial portfolio.

(b) As of December 31, 2013, we estimate that the reversal of contractual interest on purchased impaired loans will total approximately $1.1 billion in future periods. This will offset the total net accretable interest in future interest income of $2.1 billion on purchased impaired loans.

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Information related to the valuation of purchased impaired loans at December 31, 2013 and December 31, 2012 follows.

Table 10: Valuation of Purchased Impaired Loans

	December 31, 2013		December 31, 2012	
Dollars in millions	Balance	Net Investment	Balance	Net Investment
Commercial and commercial real estate loans:				
Outstanding balance	$ 937		$ 1,680	
Purchased impaired mark	(264)		(431)	
Recorded investment	673		1,249	
Allowance for loan losses	(133)		(239)	
Net investment	540	58%	1,010	60%
Consumer and residential mortgage loans:				
Outstanding balance	5,548		6,639	
Purchased impaired mark	(115)		(482)	
Recorded investment	5,433		6,157	
Allowance for loan losses	(871)		(858)	
Net investment	4,562	82%	5,299	80%
Total purchased impaired loans:				
Outstanding balance	6,485		8,319	
Purchased impaired mark	(379)		(913)	
Recorded investment	6,106		7,406	
Allowance for loan losses	(1,004)		(1,097)	
Net investment	$ 5,102	79%	$ 6,309	76%

The outstanding balance of purchased impaired loans decreased to $6.5 billion at December 31, 2013 from $8.3 billion at December 31, 2012 due to payments, disposals and charge-offs of amounts determined to be uncollectible. The remaining purchased impaired mark at December 31, 2013 was $379 million, which was a decrease from $913 million at December 31, 2012. The associated allowance for loan losses decreased slightly by $.1 billion to $1.0 billion at December 31, 2013. The net investment of $5.1 billion at December 31, 2013 decreased $1.2 billion from $6.3 billion at December 31, 2012. At December 31, 2013, our largest individual purchased impaired loan had a recorded investment of $18 million.

We currently expect to collect total cash flows of $7.2 billion on purchased impaired loans, representing the $5.1 billion net investment at December 31, 2013 and the accretable net interest of $2.1 billion shown in Table 9.

Weighted Average Life of the Purchased Impaired Portfolios

The table below provides the weighted average life (WAL) for each of the purchased impaired portfolios as of December 31, 2013.

Table 11: Weighted Average Life of the Purchased Impaired Portfolios

As of December 31, 2013 In millions	Recorded Investment	WAL (a)
Commercial	$ 157	2.0 years
Commercial real estate	516	1.8 years
Consumer (b) (c)	2,312	4.3 years
Residential real estate	3,121	5.1 years
Total	$ 6,106	4.4 years

(a) Weighted average life represents the average number of years for which each dollar of unpaid principal remains outstanding.
(b) Portfolio primarily consists of nonrevolving home equity products.
(c) In 2013, the weighted average life of the purchased impaired consumer portfolio increased, primarily driven by residential real estate and home equity loans. Increasing a portfolio's weighted average life will result in more interest income being recognized on purchased impaired loans in future periods.

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Purchased Impaired Loans – Accretable Difference Sensitivity Analysis

The following table provides a sensitivity analysis on the Purchased Impaired Loans portfolio. The analysis reflects hypothetical changes in key drivers for expected cash flows over the life of the loans under declining and improving conditions at a point in time. Any unusual significant economic events or changes, as well as other variables not considered below (e.g., natural or widespread disasters), could result in impacts outside of the ranges represented below. Additionally, commercial and commercial real estate loan settlements or sales proceeds can vary widely from appraised values due to a number of factors including, but not limited to, special use considerations, liquidity premiums and improvements/deterioration in other income sources.

Table 12: Accretable Difference Sensitivity – Total Purchased Impaired Loans

In billions	December 31, 2013	Declining Scenario (a)	Improving Scenario (b)
Expected Cash Flows	$ 7.2	$ (.2)	$ .3
Accretable Difference	2.1	(.1)	.1
Allowance for Loan and Lease Losses	(1.0)	(.2)	.3

(a) Declining Scenario – Reflects hypothetical changes that would decrease future cash flow expectations. For consumer loans, we assume home price forecast decreases by ten percent and unemployment rate forecast increases by two percentage points; for commercial loans, we assume that collateral values decrease by ten percent.

(b) Improving Scenario – Reflects hypothetical changes that would increase future cash flow expectations. For consumer loans, we assume home price forecast increases by ten percent, unemployment rate forecast decreases by two percentage points and interest rate forecast increases by two percentage points; for commercial loans, we assume that collateral values increase by ten percent.

The present value impact of declining cash flows is primarily reflected as immediate impairment charge to the provision for credit losses, resulting in an increase to the allowance for loan and lease losses. The present value impact of increased cash flows is first recognized as a reversal of the allowance with any additional cash flow increases reflected as an increase in accretable yield over the life of the loan.

Net Unfunded Credit Commitments

Net unfunded credit commitments are comprised of the following:

Table 13: Net Unfunded Credit Commitments

In millions	December 31 2013	December 31 2012
Total commercial lending (a)	$ 90,104	$ 78,703
Home equity lines of credit	18,754	19,814
Credit card	16,746	17,381
Other	4,266	4,694
Total	$ 129,870	$ 120,592

(a) Less than 5% of net unfunded credit commitments relate to commercial real estate at each date.

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Commercial commitments reported above exclude syndications, assignments and participations, primarily to financial institutions, totaling $25.0 billion at December 31, 2013 and $22.5 billion at December 31, 2012.

Unfunded liquidity facility commitments and standby bond purchase agreements totaled $1.3 billion at December 31, 2013 and $1.4 billion at December 31, 2012 and are included in the preceding table, primarily within the Total commercial lending category.

In addition to the credit commitments set forth in the table above, our net outstanding standby letters of credit totaled $10.5 billion at December 31, 2013 and $11.5 billion at December 31, 2012. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

Information regarding our Allowance for unfunded loan commitments and letters of credit is included in Note 7 Allowance for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in Item 8 of this Report.

INVESTMENT SECURITIES

The following table presents the distribution of our investment securities portfolio. We have included credit ratings information because the information is an indicator of the degree of credit risk to which we are exposed. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio.

Table 14: Investment Securities

	December 31, 2013		December 31, 2012		Ratings (a)				
Dollars in millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value	AAA/AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	$ 4,229	$ 4,361	$ 3,098	$ 3,390	100%				
Agency residential mortgage-backed	28,483	28,652	30,224	31,366	100				
Non-agency residential mortgage-backed	5,750	5,894	6,102	6,107	10	1%	3%	82%	4%
Agency commercial mortgage-backed	1,883	1,946	1,889	2,007	100				
Non-agency commercial mortgage-backed (b)	5,624	5,744	5,637	5,931	72	10	10	3	5
Asset-backed (c)	6,763	6,773	6,525	6,516	90	1		8	1
State and municipal	3,664	3,678	2,861	3,012	84	13		1	2
Other debt	2,845	2,891	3,098	3,216	74	19	7		
Corporate stock and other	434	433	367	367					100
Total investment securities (d)	$ 59,675	$60,372	$ 59,801	$61,912	85%	3%	1%	9%	2%

(a) Ratings as of December 31, 2013.
(b) Collateralized primarily by retail properties, office buildings and multi-family housing.
(c) Collateralized by consumer credit products, primarily home equity loans and government guaranteed student loans, and corporate debt.
(d) Includes available for sale and held to maturity securities.

Investment securities represented 19% of total assets at December 31, 2013 and 20% at December 31, 2012.

We evaluate our investment securities portfolio in light of changing market conditions and other factors and, where appropriate, take steps to improve our overall positioning. We consider the portfolio to be well-diversified and of high quality. At December 31, 2013, 85% of the securities in the portfolio were rated AAA/AA, with U.S. Treasury and government agencies, agency residential mortgage-backed and agency commercial mortgage-backed securities collectively representing 58% of the portfolio.

The investment securities portfolio includes both available for sale and held to maturity securities. Securities classified as available for sale are carried at fair value with net unrealized gains and losses, representing the difference between amortized cost and fair value, included in Shareholders' equity as Accumulated other comprehensive income or loss, net of tax, on our Consolidated Balance Sheet. Securities classified as held to maturity are carried at amortized cost. As of December 31, 2013, the amortized cost and fair value of available for sale securities totaled $48.0 billion and $48.6 billion, respectively, compared to an amortized cost and fair value as of December 31, 2012 of $49.4 billion and $51.1 billion, respectively. The amortized cost and fair value of held to maturity securities were $11.7 billion and $11.8 billion, respectively, at December 31, 2013, compared to $10.4 billion and $10.9 billion, respectively, at December 31, 2012.

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. Net unrealized gains in the total investment securities portfolio decreased to $.7 billion at December 31, 2013 from $2.1 billion at December 31, 2012 due primarily to an increase in market interest rates. The comparable amounts for the securities available for sale portfolio were $.6 billion and $1.6 billion, respectively.

Unrealized gains and losses on available for sale debt securities do not impact liquidity, and did not affect risk-based capital under the regulatory capital rules in effect through 2013. However, reductions in the credit ratings of these securities could have an impact on the liquidity of the securities or the determination of risk-weighted assets, which could reduce our regulatory capital ratios under the regulatory capital rules in effect for 2013. In addition, the amount representing the credit-related portion of other-than-temporary impairment (OTTI) on available for sale securities would reduce our earnings and regulatory capital ratios.

During 2013, we transferred securities with a fair value of $1.9 billion from available for sale to held to maturity. We changed our intent and committed to hold these high-quality securities to maturity in order to reduce the impact of price volatility on Accumulated other comprehensive income and certain capital measures, taking into consideration market conditions and changes to regulatory capital requirements under Basel III capital standards. Beginning in 2014, other comprehensive income related to available for sale securities (as well as pension and other post-retirement plans) are included in PNC's regulatory capital (subject to a phase-in schedule) and, therefore will affect PNC's regulatory capital ratios. For additional information, see the Supervision and Regulation section in Item 1 – Business and the Capital portion of the Balance Sheet Review section in this Item 7 of this Report.

The duration of investment securities was 2.9 years at December 31, 2013. We estimate that, at December 31, 2013, the effective duration of investment securities was 3.0 years for an immediate 50 basis points parallel increase in interest rates and 2.8 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2012 were 2.3 years and 2.2 years, respectively.

We conduct a quarterly comprehensive security-level impairment assessment on all securities. For securities in an unrealized loss position, we determine whether the loss represents OTTI. For debt securities that we neither intend to sell nor believe we will be required to sell prior to expected recovery, we recognize the credit portion of OTTI charges in current earnings and include the noncredit portion of OTTI in Net unrealized gains (losses) on OTTI securities on our Consolidated Statement of Comprehensive Income and net of tax in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheet. During 2013 and 2012 we recognized OTTI credit losses of $16 million and $111 million, respectively. Substantially all of the credit losses related to residential mortgage-backed and asset-backed securities collateralized by non-agency residential loans.

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

Additional information regarding our investment securities is included in Note 8 Investment Securities and Note 9 Fair Value in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

Loans Held for Sale

Table 15: Loans Held For Sale

In millions	December 31 2013	December 31 2012
Commercial mortgages at fair value	$ 586	$ 772
Commercial mortgages at lower of cost or fair value	281	620
Total commercial mortgages	867	1,392
Residential mortgages at fair value	1,315	2,096
Residential mortgages at lower of cost or fair value	41	124
Total residential mortgages	1,356	2,220
Other	32	81
Total	$ 2,255	$ 3,693

For commercial mortgages held for sale designated at fair value, we stopped originating these and continue to pursue opportunities to reduce these positions. At December 31, 2013, the balance relating to these loans was $586 million compared to $772 million at December 31, 2012. For commercial mortgages held for sale carried at lower of cost or fair value, we sold $2.8 billion in 2013 compared to $2.2 billion in 2012. All of these loan sales were to government agencies. Total gains of $79 million were recognized on the valuation and sale of commercial mortgage loans held for sale, net of hedges, in 2013, and $41 million in 2012.

Residential mortgage loan origination volume was $15.1 billion in 2013 compared to $15.2 billion in 2012. Substantially all such loans were originated under agency or Federal Housing Administration (FHA) standards. We sold $14.7 billion of loans and recognized related gains of $568 million in 2013. The comparable amounts for 2012 were $13.8 billion and $747 million, respectively.

Interest income on loans held for sale was $157 million in 2013 and $168 million in 2012. These amounts are included in Other interest income on our Consolidated Income Statement.

Additional information regarding our loan sale and servicing activities is included in Note 3 Loan Sales and Servicing Activities and Variable Interest Entities and Note 9 Fair Value in our Notes To Consolidated Financial Statements included in Item 8 of this Report.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets totaled $11.3 billion at December 31, 2013 and $10.9 billion at December 31, 2012. The increase of $.4 billion was primarily due to additions to and changes in value of mortgage and other loan servicing rights. See additional information regarding our goodwill and intangible assets in Note 10 Goodwill and Other Intangible Assets included in the Notes To Consolidated Financial Statements in Item 8 of this Report.

FUNDING AND CAPITAL SOURCES

Table 16: Details Of Funding Sources

In millions	December 31 2013	December 31 2012
Deposits		
Money market	$ 108,631	$ 102,706
Demand	77,756	73,995
Retail certificates of deposit	20,795	23,837
Savings	11,078	10,350
Time deposits in foreign offices and other time deposits	2,671	2,254
Total deposits	220,931	213,142
Borrowed funds		
Federal funds purchased and repurchase agreements	4,289	3,327
Federal Home Loan Bank borrowings	12,912	9,437
Bank notes and senior debt	12,603	10,429
Subordinated debt	8,244	7,299
Commercial paper	4,997	8,453
Other	3,060	1,962
Total borrowed funds	46,105	40,907
Total funding sources	$ 267,036	$ 254,049

See the Liquidity Risk Management portion of the Risk Management section of this Item 7 for additional information regarding our 2013 capital and liquidity activities.

Total funding sources increased $13.0 billion at December 31, 2013 compared with December 31, 2012.

Total deposits increased $7.8 billion at December 31, 2013 compared with December 31, 2012 due to increases in money market, demand, and savings accounts, partially offset by decreases in retail certificates of deposit. Interest-bearing deposits represented 68% of total deposits at December 31, 2013 compared to 67% at December 31, 2012. Total borrowed funds increased $5.2 billion since December 31, 2012 as higher Federal Home Loan Bank borrowings and bank notes and senior debt were partially offset by a decrease in commercial paper.

CAPITAL

Table 17: Shareholders' Equity

In millions	December 31 2013	December 31 2012
Shareholders' equity		
Preferred stock (a)		
Common stock	$ 2,698	$ 2,690
Capital surplus – preferred stock	3,941	3,590
Capital surplus – common stock and other	12,416	12,193
Retained earnings	23,325	20,265
Accumulated other comprehensive income (loss)	436	834
Common stock held in treasury at cost	(408)	(569)
Total shareholders' equity	$ 42,408	$ 39,003

(a) Par value less than $.5 million at each date.

We manage our funding and capital positions by making adjustments to our balance sheet size and composition, issuing debt, equity or other capital instruments, executing treasury stock transactions and capital redemptions, managing dividend policies and retaining earnings.

Total shareholders' equity increased $3.4 billion, to $42.4 billion at December 31, 2013 compared with December 31, 2012, primarily reflecting an increase in retained earnings of $3.1 billion (driven by net income of $4.2 billion and the impact of $1.1 billion of common and preferred dividends declared) and an increase of $.6 billion in capital surplus due to the net issuances of preferred stock and common stock and other. These increases were partially offset by the decline of accumulated other comprehensive income of $.4 billion. This decline was primarily due to the impact of an increase in market interest rates and widening asset spreads on securities available for sale and derivatives that are part of cash flow hedging strategies, partially offset by the impact of pension and other postretirement benefit plan adjustments. Common shares outstanding were 533 million at December 31, 2013 and 528 million at December 31, 2012.

See the Liquidity Risk Management portion of the Risk Management section of this Item 7 for additional information regarding our April 2013 redemption of our Series L Preferred Stock and our May 2013 issuance of our Series R Preferred Stock.

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, the potential impact on our credit ratings and contractual and regulatory limitations and regulatory review as part of the CCAR process. We did include the ability to repurchase common stock in our 2014 capital plan that was submitted to the Federal Reserve on January 6, 2014, and we expect to receive the Federal Reserve's response (either a non-objection or objection) to these planned actions in March 2014. Under the "de minimis" safe harbor of the Federal Reserve's capital plan rule, PNC may make limited repurchases of common stock or other capital distributions in amounts that exceed the amounts included in its most recently approved capital plan, provided that, among other things, such distributions do not exceed, in the aggregate, 1% of PNC's Tier 1 capital and the Federal Reserve does not object to the additional repurchases or distributions. See the Supervision and Regulation section of Item 1 Business in this Report for further information concerning restrictions on dividends and stock repurchases, including the impact of the Federal Reserve's current supervisory assessment of capital adequacy program, which is also discussed in the Capital and Liquidity Actions portion of the Executive Summary section of this Item 7.

Table 18: Basel I Risk-Based Capital

Dollars in millions	December 31 2013	December 31 2012
Capital components		
Shareholders' equity		
Common	$ 38,467	$ 35,413
Preferred	3,941	3,590
Trust preferred capital securities	199	331
Noncontrolling interests	988	1,354
Goodwill and other intangible assets (a)	(9,654)	(9,798)
Eligible deferred income taxes on goodwill and other intangible assets	333	354
Pension and other postretirement benefit plan adjustments	237	777
Net unrealized securities (gains)/losses, after-tax	(434)	(1,052)
Net unrealized (gains)/losses on cash flow hedge derivatives, after-tax	(243)	(578)
Other	(222)	(165)
Tier 1 risk-based capital	33,612	30,226
Subordinated debt	5,930	4,735
Eligible allowance for credit losses	3,408	3,273
Total risk-based capital	$ 42,950	$ 38,234
Tier 1 common capital		
Tier 1 risk-based capital	$ 33,612	$ 30,226
Preferred equity	(3,941)	(3,590)
Trust preferred capital securities	(199)	(331)
Noncontrolling interests	(988)	(1,354)
Tier 1 common capital	$ 28,484	$ 24,951
Assets		
Risk-weighted assets, including off-balance sheet instruments and market risk equivalent assets	$ 272,169	$ 260,847
Adjusted average total assets	303,828	291,426
Basel I capital ratios		
Tier 1 common	10.5%	9.6%
Tier 1 risk-based	12.4	11.6
Total risk-based	15.8	14.7
Leverage	11.1	10.4

(a) Excludes commercial and residential mortgage servicing rights of $1.6 billion at December 31, 2013 and $1.1 billion at December 31, 2012. These assets are included in risk-weighted assets at their applicable risk weights except for a haircut that is included in Other which is a deduction from capital.

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% Basel I regulatory minimum, and they have required the largest U.S. bank holding companies, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. 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. We seek to manage our capital consistent with these regulatory principles, and believe that our December 31, 2013 capital levels were aligned with them.

Our Basel I Tier 1 common capital ratio was 10.5% at December 31, 2013, compared with 9.6% at December 31, 2012. Our Basel I Tier 1 risk-based capital ratio increased 80 basis points to 12.4% at December 31, 2013 from 11.6% at December 31, 2012. Our Basel I total risk-based capital ratio increased 110 basis points to 15.8% at December 31, 2013 from 14.7% at December 31, 2012. Basel I capital ratios increased in all comparisons primarily due to growth in retained earnings. The net issuance of preferred stock during 2013 partially offset by the redemption of trust preferred securities favorably impacted the December 31, 2013 Basel I Tier 1 risk-based and Basel I total risk-based capital ratios. Basel I risk-weighted assets increased $11.3 billion to $272.2 billion at December 31, 2013.

At December 31, 2013, PNC and PNC Bank, N.A., our domestic bank subsidiary, were both considered "well capitalized" based on U.S. regulatory capital ratio requirements under Basel I. To qualify as "well capitalized" bank holding companies and banks must have Basel I capital ratios of at least 6% for Tier 1 risk-based, 10% for total risk-based, and 5% for leverage.

The Basel II framework, which was adopted by the Basel Committee on Banking Supervision in 2004, seeks to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. The U.S. banking agencies initially adopted rules to implement the Basel II capital framework in 2004. In July 2013, the U.S. banking agencies adopted final rules (referred to as the advanced approaches) that modified the Basel II framework effective January 1, 2014. See Item 1 Business – Supervision and Regulation and Item 1A Risk Factors in this Report. Prior to fully implementing the advanced approaches established by these rules to calculate risk-weighted assets, PNC and PNC Bank, N.A. must successfully complete a "parallel run" qualification phase. Both PNC and PNC Bank, N.A. entered this parallel run phase under the Basel II capital framework on January 1, 2013. This phase must last at least four consecutive quarters, although, consistent with the experience of other U.S. banks, we currently anticipate a multi-year parallel run period.

In July 2013, the U.S. banking agencies also adopted final rules that: (i) materially modify the definition of, and required deductions from, regulatory capital (referred to as the Basel III rule); and (ii) revise the framework for the risk-weighting of assets under Basel I (referred to as the standardized approach). The Basel III rule became effective for PNC on January 1, 2014, although many of its provisions are phased-in over a period of years, with the rules generally becoming fully effective on January 1, 2019. The standardized approach rule becomes effective on January 1, 2015.

Tier 1 common capital as defined under the Basel III rule differs materially from Basel I. For example, under Basel III, significant common stock investments in unconsolidated financial institutions, mortgage servicing rights and deferred tax assets must be deducted from capital to the extent they individually exceed 10%, or in the aggregate exceed 15%, of the institution's adjusted Tier 1 common capital. Also, Basel I regulatory capital excludes other comprehensive income related to both available for sale securities and pension and other postretirement plans, whereas under Basel III these items are a component of PNC's capital. The Basel III final rule also eliminates the Tier 1 treatment of trust preferred securities for bank holding companies with $15 billion or more in assets. In the third quarter of 2013, we concluded our redemptions of the discounted trust preferred securities assumed through acquisitions. See Item 1 Business-Supervision and Regulation and Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional discussion of our previous redemptions of trust preferred securities.

We provide information below regarding PNC's pro forma fully phased-in Basel III Tier 1 common capital ratio under both the advanced approaches and standardized approach frameworks and how it differs from the Basel I Tier 1 common capital ratios shown in Table 18 above. After PNC exits parallel run, its regulatory Basel III risk-based capital ratios will be the lower of the ratios as calculated under the standardized and advanced approaches.

Table 19: Estimated Pro forma Fully Phased-In Basel III Tier 1 Common Capital Ratio

Dollars in millions	December 31 2013	December 31 2012
Basel I Tier 1 common capital	$ 28,484	$ 24,951
Less regulatory capital adjustments:		
Basel III quantitative limits	(1,386)	(2,330)
Accumulated other comprehensive income (a)	196	276
All other adjustments	162	(396)
Estimated Fully Phased-In Basel III Tier 1 common capital	$ 27,456	$ 22,501
Estimated Basel III advanced approaches risk-weighted assets	290,080	301,006
Pro forma Fully Phased-In Basel III advanced approaches Tier 1 common capital ratio	9.5%	7.5%
Estimated Basel III standardized approach risk-weighted assets	291,977	N/A
Pro forma Fully Phased-In Basel III standardized approach Tier 1 common capital ratio	9.4%	N/A

(a) Represents net adjustments related to accumulated other comprehensive income for available for sale securities and pension and other postretirement benefit plans.

Basel III advanced approaches risk-weighted assets were estimated based on the advanced approaches rules and application of Basel II.5, and reflect credit, market and operational risk. Basel III standardized approach risk-weighted assets were estimated based on the standardized approach rules and reflect credit and market risk.

As a result of the staggered effective dates of the final U.S. capital rules issued in July 2013, as well as the fact that PNC remains in the parallel run qualification phase for the advanced approaches, PNC's regulatory risk-based capital ratios in 2014 will be based on the definitions of, and deductions from, capital under Basel III (as such definitions and deductions are phased-in for 2014) and Basel I risk-weighted assets (but subject to certain adjustments as defined by the Basel III rules). We refer to the capital ratios calculated using these Basel III phased-in provisions and Basel I risk-weighted assets as the transitional Basel III ratios.

We provide in the table below a pro forma illustration of the Basel III transitional Tier I common capital ratio using December 31, 2013 data and the Basel III phase-in schedule in effect for 2014.

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Table 20: Pro forma Transitional Basel III Tier 1 Common Capital Ratio

Dollars in millions	December 31 2013
Basel I Tier 1 common capital	$ 28,484
Less phased-in regulatory capital adjustments:	
Basel III quantitative limits	(228)
Accumulated other comprehensive income (a)	39
Other intangibles	381
All other adjustments	210
Estimated Basel III Transitional Tier 1 common capital (with 2014 phase-ins)	$ 28,886
Basel I risk-weighted assets calculated as applicable for 2014	272,321
Pro forma Basel III Transitional Tier 1 common capital ratio (with 2014 phase-ins)	10.6%

(a) Represents net adjustments related to accumulated other comprehensive income for available for sale securities and pension and other postretirement benefit plans.

PNC utilizes these fully implemented and transitional Basel III capital ratios to assess its capital position, including comparison to similar estimates made by other financial institutions. These Basel III capital estimates are likely to be impacted by any additional regulatory guidance, continued analysis by PNC as to the application of the rules to PNC, and in the case of ratios calculated using the advanced approaches, the ongoing evolution, validation and regulatory approval of PNC's models integral to the calculation of advanced approaches risk-weighted assets.

The access to and cost of funding for new business initiatives, the ability to undertake new business initiatives including acquisitions, the ability to engage in expanded business activities, the ability to pay dividends or repurchase shares or other capital instruments, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength.

We provide additional information regarding enhanced capital requirements and some of their potential impacts on PNC in Item 1 Business – Supervision and Regulation, Item 1A Risk Factors and Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report.

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 Item 7,
- Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements included in Item 8 of this Report,
- Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements included in Item 8 of this Report, and
- Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

PNC consolidates variable interest entities (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: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

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 December 31, 2013 and December 31, 2012 is included in Note 3 in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

TRUST PREFERRED SECURITIES AND REIT PREFERRED SECURITIES

We are subject to certain restrictions, including restrictions on dividend payments, in connection with $206 million in principal amount of an outstanding junior subordinated debenture associated with $200 million of trust preferred securities (both amounts as of December 31, 2013) that were issued by PNC Capital Trust C, a subsidiary statutory trust. Generally, if there is (i) an event of default under the debenture, (ii) PNC elects to defer interest on the debenture, (iii) PNC exercises its right to defer payments on the related trust preferred security issued by the statutory trust, or (iv) there is a default under PNC's guarantee of such payment obligations, as specified in the applicable governing documents, then 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 Agreement with PNC Preferred Funding Trust II. See Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on contractual limitations on dividend payments resulting from securities issued by PNC Preferred Funding Trust I and PNC Preferred Funding Trust II.

See the Liquidity Risk Management portion of the Risk Management section of this Item 7 for additional information regarding our first quarter 2013 redemption of the REIT Preferred Securities issued by PNC Preferred Funding Trust III and additional discussion of redemptions of trust preferred securities.

FAIR VALUE MEASUREMENTS

In addition to the following, see Note 9 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of this Report for further information regarding fair value.

The following table summarizes the assets and liabilities measured at fair value at December 31, 2013 and December 31, 2012, respectively, and the portions of such assets and liabilities that are classified within Level 3 of the valuation hierarchy.

Table 21: Fair Value Measurements – Summary

In millions	December 31, 2013 Total Fair Value	December 31, 2013 Level 3	December 31, 2012 Total Fair Value	December 31, 2012 Level 3
Total assets	$63,096	$10,635	$68,352	$10,988
Total assets at fair value as a percentage of consolidated assets	20%		22%	
Level 3 assets as a percentage of total assets at fair value		17%		16%
Level 3 assets as a percentage of consolidated assets		3%		4%
Total liabilities	$ 5,460	$ 623	$ 7,356	$ 376
Total liabilities at fair value as a percentage of consolidated liabilities	2%		3%	
Level 3 liabilities as a percentage of total liabilities at fair value		11%		5%
Level 3 liabilities as a percentage of consolidated liabilities		<1%		<1%

The majority of assets recorded at fair value are included in the securities available for sale portfolio. The majority of Level 3 assets represent non-agency residential mortgage-backed securities in the securities available for sale portfolio for which there was limited market activity.

An instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. PNC reviews and updates fair value hierarchy classifications quarterly. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. PNC's policy is to recognize transfers in and transfers out as of the end of the reporting period. For additional information regarding the transfers of assets or liabilities between hierarchy levels, see Note 9 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of this Report.

EUROPEAN EXPOSURE

Table 22: Summary of European Exposure
December 31, 2013

	Direct Exposure							
	Funded				Unfunded	Total Direct	Total Indirect	
In millions	Loans	Leases	Securities	Total	Other (a)	Exposure	Exposure	Total Exposure
Greece, Ireland, Italy, Portugal and Spain (GIIPS)	$ 78	$126		$ 204	$ 1	$ 205	$ 32	$ 237
United Kingdom	903	75		978	490	1,468	734	2,202
Europe – Other (b)	95	582	$ 267	944	48	992	1,192	2,184
Total Europe (c)	$1,076	$783	$ 267	$2,126	$ 539	$ 2,665	$ 1,958	$ 4,623

December 31, 2012

	Direct Exposure							
	Funded				Unfunded	Total Direct	Total Indirect	
In millions	Loans	Leases	Securities	Total	Other (a)	Exposure	Exposure	Total Exposure
Greece, Ireland, Italy, Portugal and Spain (GIIPS)	$ 85	$122		$ 207	$ 3	$ 210	$ 31	$ 241
United Kingdom	698	32		730	449	1,179	525	1,704
Europe – Other (b) (d)	113	602	$ 198	913	98	1,011	1,921	2,932
Total Europe (c)	$896	$756	$ 198	$1,850	$ 550	$ 2,400	$ 2,477	$ 4,877

(a) Includes unfunded commitments, guarantees, standby letters of credit and sold protection credit derivatives.
(b) Europe – Other primarily consists of Belgium, France, Germany, Netherlands, Sweden and Switzerland. For the period ended December 31, 2013, Europe – Other also included Norway. For the period ended December 31, 2012, Europe – Other also included Denmark.
(c) Included within Europe – Other is funded direct exposure of $8 million and $168 million consisting of AAA-rated sovereign debt securities at December 31, 2013 and December 31, 2012, respectively. There was no other direct or indirect exposure to European sovereigns as of December 31, 2013 and December 31, 2012.
(d) At December 31, 2012, the seven countries PNC was monitoring more closely included Belgium and France. For comparison purposes, amounts previously disclosed for Belgium and France are now included in Europe – Other.

European entities are defined as supranational, sovereign, financial institutions and non-financial entities within the countries that comprise the European Union, European Union candidate countries and other European countries. Foreign exposure underwriting and approvals are centralized. PNC currently underwrites new European activities if the credit is generally associated with activities of its United States commercial customers, and, in the case of PNC Business Credit's United Kingdom operations, loans with acceptable risk as they are predominantly well secured by short-term assets or, in limited situations, the borrower's appraised value of certain fixed assets. Country exposures are monitored and reported on a regular basis. We actively monitor sovereign risk, banking system health, and market conditions and adjust limits as appropriate. We rely on information from internal and external sources, including international financial institutions, economists and analysts, industry trade organizations, rating agencies, econometric data analytical service providers and geopolitical news analysis services.

Among the regions and nations that PNC monitors, we have identified five countries for which we are more closely monitoring their economic and financial situation. The basis for the increased monitoring includes, but is not limited to, sovereign debt burden, near term financing risk, political instability, GDP trends, balance of payments, market confidence, banking system distress and/or holdings of stressed sovereign debt. The countries identified are: Greece, Ireland, Italy, Portugal and Spain (collectively "GIIPS").

Direct exposure primarily consists of loans, leases, securities, derivatives, letters of credit and unfunded contractual commitments with European entities. Indirect exposure arises where our clients, primarily U.S. entities, appoint PNC as a letter of credit issuing bank and we elect to assume the joint probability of default risk. For PNC to incur a loss in these indirect exposures, both the obligor and the financial counterparty participating bank would need to default. PNC assesses both the corporate customers and the participating banks for counterparty risk and where PNC has found that a participating bank exposes PNC to unacceptable risk, PNC will reject the participating bank as an acceptable counterparty and will ask the corporate customer to find an acceptable participating bank.

BUSINESS SEGMENTS REVIEW

We have six reportable business segments:

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

Business segment results, including the basis of presentation of inter-segment revenues, and a description of each business are included in Note 26 Segment Reporting included in the Notes To Consolidated Financial Statements in Item 8 of this Report. Certain amounts included in this Item 7 and the Business Segment Highlights in the Executive Summary section of this Item 7 differ from those amounts shown in Note 26 primarily due to the presentation in this Financial Review of business net interest revenue on a taxable-equivalent basis. Note 26 presents results of businesses for 2013, 2012 and 2011.

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RETAIL BANKING

(Unaudited)

Table 23: Retail Banking Table

Year ended December 31 Dollars in millions, except as noted	2013	2012
Income Statement		
Net interest income	$ 4,079	$ 4,316
Noninterest income		
Service charges on deposits	570	547
Brokerage	224	189
Consumer services	935	838
Other	292	438
Total noninterest income	2,021	2,012
Total revenue	6,100	6,328
Provision for credit losses	657	800
Noninterest expense	4,576	4,586
Pretax earnings	867	942
Income taxes	317	346
Earnings	$ 550	$ 596
Average Balance Sheet		
Loans		
Consumer		
Home equity	$ 29,300	$ 28,321
Indirect auto	7,746	5,467
Indirect other	909	1,174
Education	7,923	8,878
Credit cards	4,142	4,063
Other	2,148	2,039
Total consumer	52,168	49,942
Commercial and commercial real estate	11,266	11,198
Floor plan	2,055	1,788
Residential mortgage	741	946
Total loans	66,230	63,874
Goodwill and other intangible assets	6,116	6,123
Other assets	2,625	2,576
Total assets	$ 74,971	$ 72,573
Deposits		
Noninterest-bearing demand	$ 21,248	$ 20,179
Interest-bearing demand	31,811	28,007
Money market	48,784	46,578
Total transaction deposits	101,843	94,764
Savings	10,835	9,751
Certificates of deposit	21,488	25,715
Total deposits	134,166	130,230
Other liabilities	337	340
Total liabilities	$134,503	$130,570
Performance Ratios		
Return on average assets	.73%	.82%
Noninterest income to total revenue	33	32
Efficiency	75	72

Year ended December 31 Dollars in millions, except as noted	2013	2012
Other Information (a)		
Credit-related statistics:		
Commercial nonperforming assets	$ 208	$ 245
Consumer nonperforming assets	1,077	902
Total nonperforming assets (b)	$1,285	$1,147
Purchased impaired loans (c)	$ 692	$ 819
Commercial lending net charge-offs	$ 89	$ 119
Credit card lending net charge-offs	156	174
Consumer lending (excluding credit card) net charge-offs	468	521
Total net charge-offs	$ 713	$ 814
Commercial lending net charge-off ratio	.67%	.92%
Credit card lending net charge-off ratio	3.77%	4.28%
Consumer lending (excluding credit card) net charge-off ratio (d)	.96%	1.11%
Total net charge-off ratio (d)	1.08%	1.27%
Home equity portfolio credit statistics: (e)		
% of first lien positions at origination (f)	52%	42%
Weighted-average loan-to-value ratios (LTVs) (f) (g)	81%	81%
Weighted-average updated FICO scores (h)	745	742
Net charge-off ratio (d)	1.14%	1.22%
Delinquency data: (i)		
Loans 30 – 59 days past due	.20%	.42%
Loans 60 – 89 days past due	.09%	.22%
Total accruing loans past due	.29%	.64%
Nonperforming loans	3.15%	2.64%
Other statistics:		
ATMs	7,445	7,282
Branches (j)	2,714	2,881
Brokerage account assets (in billions)	$ 41	$ 38
Customer-related statistics: (in thousands, except as noted)		
Non-branch deposit transactions (k)	25%	16%
Digital consumer customers (l)	38%	35%
Retail Banking checking relationships	6,648	6,475
Retail online banking active customers	4,592	4,227
Retail online bill payment active customers	1,293	1,236

(a) Presented as of December 31, except for net charge-offs and net charge-off ratios, which are for the year ended.
(b) Includes nonperforming loans of $1.2 billion at December 31, 2013 and $1.1 billion at December 31, 2012.
(c) Recorded investment of purchased impaired loans related to acquisitions.
(d) Ratios for 2013 include additional consumer charge-offs taken as a result of alignment with interagency guidance on practices for loans and lines of credit we implemented in the first quarter of 2013.
(e) Lien position, LTV and FICO statistics are based upon customer balances.
(f) Lien position and LTV calculation at December 31, 2013 reflect the use of revised assumptions where data is missing.
(g) LTV statistics are based upon current information.
(h) Represents FICO scores that are updated at least quarterly.
(i) Data based upon recorded investment. Past due amounts exclude purchased impaired loans, even if contractually past due as we are currently accreting interest income over the expected life of the loans. In the first quarter of 2012, we adopted a policy stating that Home equity loans past due 90 days or more would be placed on nonaccrual status.
(j) Excludes satellite offices (*e.g.*, drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(k) Percentage of total deposit transactions processed at an ATM or through our mobile banking application.
(l) Represents consumer checking relationships that process the majority of their transactions through non-branch channels.

Retail Banking earned $550 million in 2013 compared with earnings of $596 million in 2012. The decrease in earnings was driven by lower net interest income, partially offset by a lower provision for credit losses.

Retail Banking continued to provide more cost effective alternative servicing channels that meet customers' evolving preferences for convenience.

- In 2013, approximately 38% of consumer customers used non-branch channels for the majority of their transactions compared with 35% in 2012.
- Non-branch deposit transactions via ATM and mobile channels increased to 25% of total deposit transactions in 2013 compared with 16% in 2012. In the fourth quarter of 2013, non-branch deposit transactions via ATM and mobile channels were 30% compared to 18% in the same period of 2012.
- PNC closed or consolidated 186 branches and invested selectively in 21 new branches in 2013. Retail Banking's footprint extends across 17 states and Washington, D.C., covering nearly half the U.S. population with 2,714 branches and 7,445 ATMs serving 5.9 million consumers and 765 thousand small business relationships.
- Net checking relationships grew 173,000 in 2013. We continued to augment and refine our core checking products to enhance the customer experience and grow value. In 2013, we introduced Cash Flow Insight℠, an online tool for managing small business cash flow, and streamlined our consumer checking product line with the elimination of free checking for new customers.

Total revenue for 2013 was $6.1 billion compared with $6.3 billion for 2012. Net interest income of $4.1 billion decreased $237 million compared with 2012. The decrease resulted primarily from spread compression on deposits due to the continued low rate environment. Noninterest income increased $9 million compared to 2012. Growth in brokerage fees and the impact of higher customer-initiated fee based transactions was offset by fewer sales of Visa Class B common shares. In 2013, we sold 4 million Visa Class B common shares resulting in pretax gains of $168 million compared to pretax gains of $267 million on 9 million shares sold in 2012.

The provision for credit losses was $657 million in 2013 compared with $800 million in the prior year. Net charge-offs were $713 million in 2013 compared with $814 million in 2012. The provision for credit losses was favorably impacted by higher residential real estate values, and prior year provisioning related to alignment with interagency regulatory guidance primarily related to troubled debt restructurings resulting from bankruptcy. The decrease in net charge-offs was due to overall credit quality improvement.

Noninterest expense decreased $10 million in 2013 compared to 2012. The decrease was due to lower additions to legal reserves in 2013 and disciplined expense management, partially offset by a full year of operating expense in 2013 associated with the RBC Bank (USA) acquisition.

Growing core checking deposits is key to Retail Banking's growth and to providing a source of low-cost funding to PNC. The deposit product 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 2013, average total deposits of $134.2 billion increased $3.9 billion, or 3%, compared with 2012.

- Average transaction deposits grew $7.1 billion, or 7%, and average savings deposit balances grew $1.1 billion, or 11%, year-over-year as a result of organic deposit growth, continued customer preference for liquidity and the RBC Bank (USA) acquisition. In 2013, average demand deposits increased $4.9 billion, or 10%, to $53.1 billion and average money market deposits increased $2.2 billion, or 5%, to $48.8 billion.
- Total average certificates of deposit decreased $4.2 billion, or 16%, compared to 2012. The decline in average certificates of deposit was due to the expected run-off of maturing accounts.

Retail Banking continued to focus on a relationship-based lending strategy that targets specific products and markets for growth, small businesses, and auto dealerships. In 2013, average total loans were $66.2 billion, an increase of $2.4 billion, or 4%, over 2012.

- Average indirect auto loans increased $2.3 billion, or 42%, over 2012. The increase was primarily due to the expansion of our indirect sales force and product introduction to acquired markets, as well as overall increases in auto sales.
- Average home equity loans increased $1.0 billion, or 3%, over 2012. The portfolio grew modestly as increases in term loans were partially offset by declines in lines of credit. Retail Banking's home equity loan portfolio is relationship based, with 97% of the portfolio attributable to borrowers in our primary geographic footprint.
- Average auto dealer floor plan loans grew $267 million, or 15%, in 2013, primarily resulting from dealer line utilization and additional dealer relationships.
- Average credit card balances increased $79 million, or 2%, over 2012 as a result of the portfolio purchase from RBC Bank (Georgia), National Association in March 2012 and organic growth.
- Average loan balances for the remainder of the portfolio declined a net $1.2 billion, driven by a decline in the education portfolio of $1.0 billion and in indirect other of $265 million. The discontinued government guaranteed education loan, indirect other and residential mortgage portfolios are primarily run-off portfolios.

Nonperforming assets totaled $1.3 billion at December 31, 2013, a 12% increase over 2012. The increase was primarily in consumer assets and was due to the alignment with interagency guidance on practices for loans and lines of credit related to consumer loans that we implemented in the first quarter of 2013.

CORPORATE & INSTITUTIONAL BANKING

(Unaudited)

Table 24: Corporate & Institutional Banking Table

Year ended December 31 Dollars in millions, except as noted	2013	2012
Income Statement		
Net interest income	$ 3,804	$ 4,099
Noninterest income		
Corporate service fees	1,097	1,030
Other	605	568
Noninterest income	1,702	1,598
Total revenue	5,506	5,697
Provision for credit losses (benefit)	(25)	
Noninterest expense	1,999	2,028
Pretax earnings	3,532	3,669
Income taxes	1,268	1,341
Earnings	$ 2,264	$ 2,328
Average Balance Sheet		
Loans		
Commercial	$ 72,256	$ 63,480
Commercial real estate	17,668	15,768
Equipment lease financing	6,642	5,997
Total commercial lending	96,566	85,245
Consumer	947	821
Total loans	97,513	86,066
Goodwill and other intangible assets	3,804	3,656
Loans held for sale	1,017	1,222
Other assets	10,636	12,018
Total assets	$112,970	$102,962
Deposits		
Noninterest-bearing demand	$ 41,514	$ 38,337
Money market	18,168	15,590
Other	7,124	6,108
Total deposits	66,806	60,035
Other liabilities	14,465	17,969
Total liabilities	$ 81,271	$ 78,004

Year ended December 31 Dollars in millions, except as noted	2013	2012
Performance Ratios		
Return on average assets	2.00%	2.26%
Noninterest income to total revenue	31	28
Efficiency	36	36
Commercial Mortgage Servicing Portfolio (in billions)		
Beginning of period	$ 282	$ 267
Acquisitions/additions	83	64
Repayments/transfers	(57)	(49)
End of period	$ 308	$ 282
Other Information		
Consolidated revenue from: (a)		
Treasury Management (b)	$ 1,260	$ 1,380
Capital Markets (c)	$ 722	$ 710
Commercial mortgage loans held for sale (d)	$ 133	$ 104
Commercial mortgage loan servicing income (e)	226	195
Commercial mortgage servicing rights recovery/(impairment), net of economic hedge (f)	68	31
Total commercial mortgage banking activities	$ 427	$ 330
Average Loans (by C&IB business)		
Corporate Banking	$ 50,620	$44,945
Real Estate	22,287	18,418
Business Credit	11,678	10,083
Equipment Finance	9,994	9,035
Other	2,934	3,585
Total average loans	$ 97,513	$86,066
Total loans (g)	$101,773	$93,721
Net carrying amount of commercial mortgage servicing rights (g)	$ 549	$ 420
Credit-related statistics:		
Nonperforming assets (g) (h)	$ 804	$ 1,181
Purchased impaired loans (g) (i)	$ 515	$ 875
Net charge-offs	$ 105	$ 142

(a) Represents consolidated PNC amounts. See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities in the Product Revenue section of the Corporate & Institutional Banking Review.
(b) Includes amounts reported in net interest income and corporate service fees.
(c) Includes amounts reported in net interest income, corporate service fees and other noninterest income.
(d) Includes other noninterest income for 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.
(e) Includes net interest income and noninterest income, primarily in corporate services fees, from loan servicing and ancillary services, net of commercial mortgage servicing rights amortization and a direct write-down of commercial mortgage servicing rights of $24 million recognized in the first quarter of 2012. Commercial mortgage servicing rights (impairment)/recovery, net of economic hedge is shown separately.
(f) Includes amounts reported in corporate services fees.
(g) As of December 31.
(h) Includes nonperforming loans of $.7 billion at December 31, 2013 and $1.0 billion at December 31, 2012.
(i) Recorded investment of purchased impaired loans related to acquisitions.

Corporate & Institutional Banking earned $2.3 billion in 2013, a decrease of $64 million compared with 2012. The decrease in earnings was due to lower net interest income, partially offset by an increase in noninterest income, a decrease in noninterest expenses and a lower provision for credit losses. We continued to focus on building client relationships, including increasing cross sales and adding new clients where the risk-return profile was attractive.

Results for 2013 and 2012 include the impact of the RBC Bank (USA) acquisition, which added approximately $7.5 billion of loans and $4.8 billion of deposits as of March 2, 2012.

Highlights of Corporate & Institutional Banking's performance include the following:

- Corporate & Institutional Banking continued to execute on strategic initiatives, including in the Southeast, by organically growing and deepening client relationships that meet our risk/return measures. Approximately 740 new primary Corporate Banking clients were added in 2013.
- Loan commitments increased 9% to $196 billion at December 31, 2013 compared to December 31, 2012, primarily due to growth in our Real Estate, Corporate Banking and Business Credit businesses.
- Period-end loan balances have increased for the thirteenth consecutive quarter, including an increase of 2.5% at December 31, 2013 compared with September 30, 2013 and 8.6% compared with December 31, 2012.
- Our Treasury Management business, which ranks among the top providers in the country, continued to invest in markets, products and infrastructure as well as major initiatives such as healthcare.
- Midland Loan Services was the number one servicer of Fannie Mae and Freddie Mac multifamily and healthcare loans and was the second leading servicer of commercial and multifamily loans by volume as of June 30, 2013 according to Mortgage Bankers Association. Midland has received the highest primary, master and special servicer ratings for U.S. commercial mortgage servicing from Fitch Ratings, Standard & Poor's and Morningstar.
- Mergers and Acquisitions Journal named Harris Williams & Co. its 2012 Mid-Market Investment Bank of the Year. This is the second time in three years that Harris Williams & Co. has earned the title.

Net interest income was $3.8 billion in 2013, a decrease of $295 million from 2012, reflecting lower spreads on loans and deposits and lower purchase accounting accretion, partially offset by higher average loans and deposits.

Corporate service fees were $1.1 billion in 2013, increasing $67 million compared to 2012. This increase was primarily due to higher net commercial mortgage servicing rights valuations driven by the impact of higher market rates, higher commercial mortgage servicing fees, net of amortization, and higher treasury management fees, partially offset by lower merger and acquisition advisory fees. The majority of corporate service fees are the noninterest income portion of treasury management revenue, corporate finance fees, including revenue from certain capital markets-related products and services, and the noninterest income portion of commercial mortgage servicing revenue.

Other noninterest income was $605 million in 2013 compared with $568 million in 2012. The increase of $37 million was driven by the impact of higher market interest rates on credit valuations for customer-related derivative activities and an increase in revenues from commercial mortgage loans held for sale, which more than offset lower customer-driven derivatives revenue.

For 2013, there was a benefit from the provision for credit losses of $25 million compared to zero in 2012, reflecting continued improvement in credit quality. Net charge-offs were $105 million in 2013, which represents a decrease of $37 million, or 26%, compared with 2012 primarily attributable to lower levels of commercial real estate and commercial charge-offs.

Nonperforming assets declined to $804 million, representing a 32% decrease from December 31, 2012, as a result of improving credit quality.

Noninterest expense was $2.0 billion in 2013, a decrease of $29 million from 2012, primarily driven by lower revenue-related compensation costs, mostly offset by the impact of the RBC Bank (USA) acquisition and higher asset impairments.

The effective tax rate was 35.9% for 2013 compared with 36.5% for 2012. The decrease in the effective tax rate resulted from a one-time tax benefit attributable to an assertion under ASC 740 – Income Taxes that the earnings of certain non-U.S. subsidiaries will be indefinitely reinvested.

Average loans were $97.5 billion in 2013 compared with $86.1 billion in 2012, an increase of 13% reflecting strong growth across each of the commercial lending products.

- The Corporate Banking business provides lending, treasury management and capital markets-related products and services to mid-sized corporations, government and not-for-profit entities, and to large corporations. Average loans for this business increased $5.7 billion, or 13%, in 2013 compared with 2012, primarily due to an increase in loan commitments from specialty lending businesses.
- PNC Real Estate provides commercial real estate and real estate-related lending and is one of the industry's top providers of both conventional and affordable multifamily financing. Average loans for this business increased $3.9 billion, or 21%, in 2013 compared with 2012 due to increased originations.

- PNC Business Credit was one of the top three asset-based lenders in the country, as of year-end 2013, with increasing market share according to the Commercial Finance Association. The loan portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by short-term assets. Average loans increased $1.6 billion, or 16%, in 2013 compared with 2012 due to customers seeking stable lending sources, loan usage rates and market share expansion.
- PNC Equipment Finance was the 4th largest bank-affiliated leasing company with over $11 billion in equipment finance assets as of December 31, 2013. Average equipment finance assets for the leasing company in 2013 were $11.4 billion, an increase of $1.1 billion or 11% compared with 2012.

Average deposits were $66.8 billion in 2013, an increase of $6.8 billion, or 11%, compared with 2012 as a result of business growth and inflows into noninterest-bearing and money market deposits.

The commercial mortgage servicing portfolio was $308 billion at December 31, 2013 compared with $282 billion at December 31, 2012 as servicing additions exceeded portfolio run-off.

PRODUCT REVENUE

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets-related products and services, and commercial mortgage banking activities, for customers of all our business segments. On a consolidated basis, the revenue from these other services is included in net interest income, corporate service fees and other noninterest income. From a segment perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The Other Information section in Table 24 in this Business Segments Review section includes the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

Treasury management revenue comprised of fees and net interest income from customer deposit balances totaled $1.3 billion for 2013 compared with $1.4 billion for 2012. Lower spreads on deposits drove the decline in revenue in 2013 compared with 2012. Growth in deposit balances, and products such as liquidity management products and payables was strong.

Capital markets revenue includes merger and acquisition advisory fees, loan syndications, derivatives, foreign exchange, asset-backed finance revenue and fixed income activities. Revenue from capital markets-related products and services totaled $722 million in 2013 compared with $710 million in 2012. The increase was driven by the impact of higher market interest rates on credit valuations for customer-related derivatives activities, mostly offset by lower merger and acquisition advisory fees and customer-driven derivatives and fixed income revenue.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (including net interest income and noninterest income from loan servicing and ancillary services, net of commercial mortgage servicing rights amortization, and commercial mortgage servicing rights valuations net of economic hedge), 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 $427 million in 2013 compared with $330 million in 2012. The increase was mainly due to higher net revenue from commercial mortgage servicing, primarily driven by the impact of higher market interest rates on net commercial mortgage servicing rights valuations, and higher loan originations. The commercial mortgage banking activities for 2012 included a direct write-down of commercial mortgage servicing rights of $24 million.

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ASSET MANAGEMENT GROUP

(Unaudited)

Table 25: Asset Management Group Table

Year ended December 31 Dollars in millions, except as noted	2013	2012
Income Statement		
Net interest income	$ 288	$ 297
Noninterest income	752	676
Total revenue	1,040	973
Provision for credit losses	10	11
Noninterest expense	774	732
Pretax earnings	256	230
Income taxes	94	85
Earnings	$ 162	$ 145
Average Balance Sheet		
Loans		
Consumer	$5,025	$4,416
Commercial and commercial real estate	1,047	1,076
Residential mortgage	776	695
Total loans	6,848	6,187
Goodwill and other intangible assets	293	329
Other assets	225	219
Total assets	$7,366	$6,735
Deposits		
Noninterest-bearing demand	$1,311	$1,462
Interest-bearing demand	3,491	2,746
Money market	3,754	3,553
Total transaction deposits	8,556	7,761
CDs/IRAs/savings deposits	438	491
Total deposits	8,994	8,252
Other liabilities	60	68
Total liabilities	$9,054	$8,320
Performance Ratios		
Return on average assets	2.20%	2.15%
Noninterest income to total revenue	72	69
Efficiency	74	75

Year ended December 31 Dollars in millions, except as noted	2013	2012
Other Information		
Total nonperforming assets (a) (b)	$ 75	$ 69
Purchased impaired loans (a) (c)	$ 99	$109
Total net charge-offs	$ 1	$ 6
Assets Under Administration (in billions) (a) (d)		
Personal	$111	$107
Institutional	136	117
Total	$247	$224
Asset Type		
Equity	$142	$120
Fixed Income	70	69
Liquidity/Other	35	35
Total	$247	$224
Discretionary assets under management		
Personal	$ 83	$ 73
Institutional	44	39
Total	$127	$112
Asset Type		
Equity	$ 70	$ 56
Fixed Income	39	39
Liquidity/Other	18	17
Total	$127	$112
Nondiscretionary assets under administration		
Personal	$ 28	$ 34
Institutional	92	78
Total	$120	$112
Asset Type		
Equity	$ 72	$ 64
Fixed Income	31	30
Liquidity/Other	17	18
Total	$120	$112

(a) As of December 31.
(b) Includes nonperforming loans of $70 million at both December 31, 2013 and December 31, 2012.
(c) Recorded investment of purchased impaired loans related to acquisitions.
(d) Excludes brokerage account assets.

Asset Management Group earned $162 million in 2013 compared with $145 million in 2012. Assets under administration were $247 billion as of December 31, 2013 compared to $224 billion as of December 31, 2012. Earnings increased due to higher noninterest income from higher assets, partially offset by higher noninterest expense from strategic business investments.

The core growth strategies for the business include increasing sales sourced from other PNC lines of business, maximizing front line productivity and optimizing market presence including additions to staff in high opportunity markets. Through 2013, the business delivered strong sales production and benefited from sales sourced from other PNC lines of business.

Highlights of Asset Management Group's performance during 2013 include the following:

- Positive net flows of approximately $4.7 billion in discretionary assets under management after adjustments to total net flows for cyclical client activities,
- New primary client acquisitions increased 22% over 2012,
- Strong sales production, an increase of 14% over 2012,
- Significant sales sourced from other PNC lines of business, an increase of 44% over 2012, and
- Continued levels of new business investment and focused hiring to drive growth resulted in a 5% increase in personnel.

Assets under administration increased $23 billion compared to a year ago. Discretionary assets under management were $127 billion at December 31, 2013 compared with $112 billion at December 31, 2012. The increase was driven by higher equity markets and strong sales resulting in positive net flows, after adjustments to total net flows for cyclical client activities.

Total revenue for 2013 increased $67 million to $1.0 billion compared with $973 million for 2012, primarily relating to noninterest income due to stronger average equity markets and positive net flows.

Noninterest expense was $774 million in 2013, an increase of $42 million, or 6%, from the prior year. The increase was primarily attributable to compensation expense. Over the last 12 months, total full-time headcount has increased by approximately 180 positions, or 5%. The business remains focused on managing expenses as it invests in growth opportunities.

Average deposits for 2013 increased $.7 billion, or 9%, from the prior year. Average transaction deposits grew 10% to $8.6 billion compared with 2012 and were partially offset by the run-off of maturing certificates of deposit. Average loan balances of $6.8 billion increased $.7 billion, or 11%, from the prior year due to continued growth in the consumer loan portfolio, primarily home equity installment loans, due to favorable interest rates.

RESIDENTIAL MORTGAGE BANKING

(Unaudited)

Table 26: Residential Mortgage Banking Table

Year ended December 31 Dollars in millions, except as noted	2013	2012
Income Statement		
Net interest income	$ 194	$ 209
Noninterest income		
Loan servicing revenue		
Servicing fees	174	205
Net MSR hedging gains	121	119
Loan sales revenue		
Benefit / (Provision) for residential mortgage repurchase obligations	53	(761)
Loan sales revenue	568	747
Other	(10)	7
Total noninterest income	906	317
Total revenue	1,100	526
Provision for credit losses (benefit)	21	(5)
Noninterest expense (a)	845	992
Pretax earnings (loss)	234	(461)
Income taxes (benefit)	86	(153)
Earnings (loss)	$ 148	$ (308)
Average Balance Sheet		
Portfolio loans	$2,376	$ 2,719
Loans held for sale	1,896	1,758
Mortgage servicing rights (MSR)	938	632
Other assets	4,686	6,420
Total assets	$9,896	$11,529
Deposits	$2,920	$ 2,560
Borrowings and other liabilities	3,142	4,086
Total liabilities	$6,062	$ 6,646
Performance Ratios		
Return on average assets	1.50%	(2.67)%
Noninterest income to total revenue	82	60
Efficiency	77	189

Year ended December 31 Dollars in millions, except as noted	2013	2012
Residential Mortgage Servicing Portfolio – Serviced for Third Parties (in billions)		
Beginning of period	$ 119	$ 118
Acquisitions	10	21
Additions	15	14
Repayments/transfers	(30)	(34)
End of period	$ 114	$ 119
Servicing portfolio – third-party statistics: (b)		
Fixed rate	93%	92%
Adjustable rate/balloon	7%	8%
Weighted-average interest rate	4.59%	4.94%
MSR capitalized value (in billions)	$ 1.1	$ .7
MSR capitalization value (in basis points)	95	54
Weighted-average servicing fee (in basis points)	28	28
Residential Mortgage Repurchase Reserve		
Beginning of period	$ 614	$ 83
(Benefit)/ Provision	(53)	761
RBC Bank (USA) acquisition		26
Agency settlements	(191)	
Losses – loan repurchases	(239)	(256)
End of Period	$ 131	$ 614
Other Information		
Loan origination volume (in billions)	$15.1	$15.2
Loan sale margin percentage	3.76%	4.92%
Percentage of originations represented by:		
Agency and government programs	99%	100%
Purchase volume (c)	30%	23%
Refinance volume	70%	77%
Total nonperforming assets (b) (d)	$ 189	$ 134

(a) Includes a goodwill impairment charge of $45 million during the fourth quarter of 2012.
(b) As of December 31.
(c) Mortgages with borrowers as part of residential real estate purchase transactions.
(d) Includes nonperforming loans of $143 million at December 31, 2013 and $90 million at December 31, 2012.

Residential Mortgage Banking earned $148 million in 2013 compared with a net loss of $308 million in 2012. Earnings increased from the prior year as a result of the improvement in the provision for residential mortgage repurchase obligations and lower noninterest expense, partially offset by lower loan sales revenue.

The strategic focus of the business is the acquisition of new customers through a retail loan officer sales force with an emphasis on home purchase transactions. Our strategy involves competing on the basis of superior service to new and existing customers in serving their home purchase and refinancing needs. A key consideration in pursuing this approach is the cross-sell opportunity, especially in the bank footprint markets.

Residential Mortgage Banking overview:

- Total loan originations were $15.1 billion in 2013 compared with $15.2 billion in 2012. Loans continue to be originated primarily through direct channels under Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Housing Administration (FHA)/Department of Veterans Affairs (VA) agency guidelines. Refinancings were 70% of originations for 2013 and 77% in 2012. During 2013, 32% of loan originations were under the original or revised Home Affordable Refinance Program (HARP or HARP 2).
- Investors having purchased mortgage loans may request PNC to indemnify them against losses on certain loans or to repurchase loans that they believe do not comply with applicable contractual loan origination covenants and representations and warranties we have made. At December 31, 2013, the liability for estimated losses on repurchase and indemnification claims for the Residential Mortgage Banking business segment was $131 million compared with $614 million at December 31, 2012. See the Recourse and Repurchase Obligations section of this Item 7 and Note 24 Commitments and Guarantees in the Notes to Consolidated Financial Statements of Item 8 of this Report for additional information.
  - During the fourth quarter of 2013, settlements were reached with both FNMA and FHLMC regarding repurchase claims on 2008 and prior vintage loans. As a result of these settlements, a net reserve release of $124 million was recorded.
- Residential mortgage loans serviced for others totaled $114 billion at December 31, 2013 and $119 billion at December 31, 2012 as payoffs continued to outpace new direct loan origination volume and acquisitions.
- Noninterest income was $906 million in 2013 compared with $317 million in 2012. Declines in loan sales revenue and servicing fees were more than offset by the improvement in the provision for residential mortgage repurchase obligations. The decline in loan sales revenue resulted from an increase in mortgage interest rates which had the effect of reducing gain on sale margins and, to a lesser extent, loan origination volume.
- Noninterest expense was $845 million in 2013 compared with $992 million in 2012, driven primarily by reduced mortgage foreclosure-related expenses. Also, goodwill impairment of $45 million was recorded in 2012.
- The fair value of mortgage servicing rights was $1.1 billion at December 31, 2013 compared with $.7 billion at December 31, 2012. The increase was due to higher mortgage interest rates at December 31, 2013.

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BLACKROCK

(Unaudited)

Table 27: BlackRock Table

Information related to our equity investment in BlackRock follows:

Year ended December 31 Dollars in millions	2013	2012
Business segment earnings (a)	$469	$395
PNC's economic interest in BlackRock (b)	22%	22%

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

In billions	December 31 2013	December 31 2012
Carrying value of PNC's investment in BlackRock (c)	$ 6.0	$ 5.6
Market value of PNC's investment in BlackRock (d)	11.7	7.4

(c) PNC accounts for its investment in BlackRock under the equity method of accounting, exclusive of a related deferred tax liability of $2.0 billion at December 31, 2013 and $1.9 billion at December 31, 2012. Our voting interest in BlackRock common stock was approximately 21% at December 31, 2013.
(d) Does not include liquidity discount.

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 to partially fund BlackRock long-term incentive plan (LTIP) programs. 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 9 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of this Report.

On January 31, 2013, we transferred 205,350 shares of BlackRock Series C Preferred Stock to BlackRock to satisfy a portion of our LTIP obligation. The transfer reduced Other assets and Other liabilities on our Consolidated Balance Sheet by $33 million. At December 31, 2013, we hold approximately 1.3 million shares of BlackRock Series C Preferred Stock which are available to fund our obligation in connection with the BlackRock LTIP programs. Additional information regarding our BlackRock LTIP shares obligation is included in Note 16 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

NON-STRATEGIC ASSETS PORTFOLIO

(Unaudited)

Table 28: Non-Strategic Assets Portfolio Table

Year ended December 31 Dollars in millions	2013	2012
Income Statement		
Net interest income	$ 689	$ 830
Noninterest income	53	13
Total revenue	742	843
Provision for credit losses (benefit)	(21)	181
Noninterest expense	163	287
Pretax earnings	600	375
Income taxes	221	138
Earnings	$ 379	$ 237
Average Balance Sheet		
Commercial Lending:		
Commercial/Commercial real estate	$ 382	$ 894
Lease financing	687	677
Total commercial lending	1,069	1,571
Consumer Lending:		
Home equity	3,993	4,584
Residential real estate	5,613	6,259
Total consumer lending	9,606	10,843
Total portfolio loans	10,675	12,414
Other assets (a)	(688)	(364)
Total assets	$ 9,987	$12,050
Deposits and other liabilities	$ 236	$ 183
Total liabilities	$ 236	$ 183
Performance Ratios		
Return on average assets	3.79%	1.97%
Noninterest income to total revenue	7	2
Efficiency	22	34
Other Information		
Nonperforming assets (b) (c)	$ 834	$ 999
Purchased impaired loans (b) (d)	$ 4,797	$ 5,547
Net charge-offs	$ 172	$ 299
Net charge-off ratio	1.61%	2.41%
Loans (b)		
Commercial Lending		
Commercial/Commercial real estate	$ 236	$ 665
Lease financing	680	686
Total commercial lending	916	1,351
Consumer Lending		
Home equity	3,692	4,237
Residential real estate	5,267	6,093
Total consumer lending	8,959	10,330
Total loans	$ 9,875	$11,681

(a) Other assets includes deferred taxes, ALLL and OREO. Other assets were negative in both periods due to the ALLL.
(b) As of December 31.
(c) Includes nonperforming loans of $.7 billion at both December 31, 2013 and December 31, 2012.
(d) Recorded investment of purchased impaired loans related to acquisitions. At December 31, 2013, this segment contained 79% of PNC's purchased impaired loans.

This business segment consists primarily of non-strategic assets obtained through acquisitions of other companies. The business activity of this segment is to manage the wind-down of the portfolio while maximizing the value and mitigating risk. In March 2012, RBC Bank (USA) was acquired, which added approximately $1.0 billion of residential real estate loans, $.2 billion of commercial/commercial real estate loans and $.2 billion of OREO assets as of the acquisition date. Of these assets, $1.0 billion were deemed purchased impaired loans.

Non-Strategic Assets Portfolio had earnings of $379 million in 2013 compared with $237 million in 2012. Earnings increased year-over-year due to lower provision for credit losses and lower noninterest expense, partially offset by lower net interest income.

Non-Strategic Assets Portfolio overview:

- Net interest income was $689 million in 2013 compared with $830 million in 2012. The decrease was driven by lower purchase accounting accretion as well as lower average loan balances.
- Noninterest income was $53 million in 2013 compared with $13 million in 2012. The increase was driven by lower provision for estimated losses on home equity repurchase obligations.
- The 2013 period reflected a benefit from the provision for credit losses of $21 million compared to an expense of $181 million in 2012 primarily due to the increasing value of residential real estate.
- Noninterest expense in 2013 was $163 million compared with $287 million in 2012. The decrease was driven by lower commercial OREO write-downs and lower shared service expenses on consumer loans.
- Average portfolio loans declined to $10.7 billion in 2013 compared with $12.4 billion in 2012. The overall decline was driven by customer payment activity and portfolio management activities to reduce under-performing assets, partially offset by the addition of loans from the March 2012 RBC Bank (USA) acquisition.
- Nonperforming loans were $.7 billion at December 31, 2013 and December 31, 2012. The consumer lending portfolio comprised 90% of the nonperforming loans in this segment at December 31, 2013. Nonperforming consumer loans increased $28 million from December 31, 2012, due to alignment with interagency guidance in the first quarter of 2013. The commercial lending portfolio comprised 10% of the nonperforming loans as of December 31, 2013. Nonperforming commercial loans decreased $71 million from December 31, 2012 due to improved credit quality.
- Net charge-offs declined from $299 million in 2012 to $172 million in 2013 primarily due to lower charge-offs on home equity loans.
- At December 31, 2013, the liability for estimated losses on repurchase and indemnification claims for the Non-Strategic Assets Portfolio was $22 million compared to $58 million at December 31, 2012. See the Recourse and Repurchase Obligations section of this Item 7 and Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements included in Item 8 of this Report for additional information.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared by applying certain accounting policies. Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report describes the most significant accounting policies that we use. Certain of these policies require us to make estimates or economic assumptions that may vary under different assumptions or conditions and such variations may significantly affect our reported results and financial position for the period or in future periods.

Fair Value Measurements

We must use estimates, assumptions, and judgments when assets and liabilities are required to be recorded at, or adjusted to reflect, fair value.

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.

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

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

- Fair Value Measurements included within this Item 7, and
- Note 9 Fair Value included in the Notes To Consolidated Financial Statements in Item 8 of this Report.

ALLOWANCES FOR LOAN AND LEASE LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We maintain the ALLL and the Allowance For Unfunded Loan Commitments And Letters Of Credit at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolio and on these unfunded credit facilities as of the balance sheet date. Our determination of the allowances is based on periodic evaluations of the loan and lease portfolios and unfunded credit facilities and other relevant factors. These critical estimates include the use of significant amounts of PNC's own historical data and complex methods to interpret them. We have an ongoing process to evaluate and enhance the quality, quantity and timeliness of our data and interpretation methods used in the determination of these allowances. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change, and include, among others:

- Probability of default (PD),
- Loss given default (LGD),
- Exposure at date of default (EAD),
- Movement through delinquency stages,
- Amounts and timing of expected future cash flows,
- Value of collateral, which may be obtained from third parties, and
- Qualitative factors, such as changes in current economic conditions, that may not be reflected in modeled results.

In determining the appropriateness of the ALLL, we make specific allocations to impaired loans and allocations to portfolios of commercial and consumer loans. We also allocate reserves to provide coverage for probable losses incurred in the portfolio at the balance sheet date based upon current market conditions, which may not be reflected in historical loss data. Commercial lending is the largest category of credits and is sensitive to changes in assumptions and judgments underlying the determination of the ALLL. We have allocated approximately $1.5 billion, or 43%, of the ALLL at December 31, 2013 to the commercial lending category. Consumer lending allocations are made based on historical loss experience adjusted for recent activity. Approximately $2.1 billion, or 57%, of the ALLL at December 31, 2013 has been allocated to these consumer lending categories.

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

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

ESTIMATED CASH FLOWS ON PURCHASED IMPAIRED LOANS

ASC 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly SOP 03-3) provides the GAAP guidance for accounting for certain loans. These loans have experienced a deterioration of credit quality from origination to acquisition for which it is probable that the investor will be unable to collect all contractually required payments receivable, including both principal and interest.

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

Those loans that qualify under ASC 310-30 are recorded at fair value at acquisition, which involves estimating the expected cash flows to be received. Measurement of the fair value of the loan is based on the provisions of ASC 820. ASC 310-30 prohibits the carryover or establishment of an allowance for loan losses on the acquisition date.

Subsequent to the acquisition of the loan, we are required to continue to estimate cash flows expected to be collected over the life of the loan. The measurement of expected cash flows involves assumptions and judgments as to credit risk, interest rate risk, prepayment risk, default rates, loss severity, payment speeds and collateral values. All of these factors are inherently subjective and can result in significant changes in the cash flow estimates over the life of the loan. Such changes in expected cash flows could increase future earnings volatility.

See Note 6 Purchased Loans and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

GOODWILL

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

As such, the value of goodwill is supported by earnings, which is driven by transaction volume and, for certain businesses, the market value of assets under administration or for which processing services are provided. Lower earnings resulting from a lack of growth or our inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill, which could result in a current period charge to earnings. At least annually, in the fourth quarter, or more frequently if events occur or circumstances have changed significantly from the annual test date, management reviews the current operating environment and strategic direction of each reporting unit taking into consideration any events or changes in circumstances that may have an effect on the unit. For this review, inputs are generated and used in calculating the fair value of the reporting unit, which is compared to its carrying amount ("Step 1" of the goodwill impairment test) as further discussed below. The fair values of the majority of our reporting units are determined using a discounted cash flow valuation model with assumptions based upon market comparables. Additionally, we may also evaluate certain financial metrics that are indicative of fair value, including market quotes, price to earnings ratios and recent acquisitions involving other financial institutions. A reporting unit is defined as an operating segment or one level below an operating segment. If the fair value of the reporting unit exceeds its carrying amount, the reporting unit is not considered impaired. However, if the fair value of the reporting unit is less than its carrying amount, the reporting unit's goodwill would be evaluated for impairment. In this circumstance, the implied fair value of reporting unit goodwill would be compared to the carrying amount of that goodwill ("Step 2" of the goodwill impairment test). If the carrying amount of goodwill exceeds the implied fair value of goodwill, the difference is recognized as an impairment loss. The implied fair value of reporting unit goodwill is determined by assigning the fair value of a reporting unit to its assets and liabilities (including any unrecognized intangible assets) with the residual amount equal to the implied fair value of goodwill as if the reporting unit had been acquired in a business combination.

A reporting unit's carrying amount is based upon assigned economic capital as determined by PNC's internal management methodologies. Additionally, in performing Step 1 of our goodwill impairment testing, we utilize three equity metrics:

- Assigned reporting unit economic capital as determined by our internal management methodologies, inclusive of goodwill.
- A 6%, "well capitalized", Tier 1 common ratio for the reporting unit under PNC guidelines.
- The capital levels for comparable companies (as reported in comparable company public financial statements), adjusted for differences in risk characteristics between the comparable companies and the reporting unit.

In determining a reporting unit's fair value and comparing it to its carrying value, we generally utilize the highest of these three amounts (the "targeted equity") in our discounted cash flow methodology. Under this methodology, if necessary, we will infuse capital to achieve the targeted equity amount. As of October 1, 2013 (annual impairment testing date), unallocated excess capital (difference between shareholders' equity minus total economic capital assigned and increased by the incremental targeted equity capital infusion) was insignificant.

The results of our annual 2013 impairment test indicated that the estimated fair values of our reporting units exceeded their carrying values by at least 10% and are not considered to be at risk of not passing Step 1. By definition, assumptions utilized in estimating the fair value of a reporting unit are judgmental and inherently uncertain, but absent a significant change in economic conditions of a reporting unit, we would not expect the fair values of these reporting units to decrease below their respective carrying values.

During 2012, our residential mortgage banking business, similar to other residential mortgage banking businesses, experienced higher operating costs and increased uncertainties such as elevated indemnification and repurchase liabilities and foreclosure related issues. As a result of our annual impairment test, we determined that the carrying amount of goodwill relating to the Residential Mortgage Banking reporting unit was greater than the implied fair value of its goodwill. We recorded an impairment charge of $45 million during the fourth quarter of 2012 within Noninterest expense which reduced the carrying value of goodwill attributed to Residential Mortgage Banking to zero.

See Note 10 Goodwill and Other Intangible Assets in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

LEASE RESIDUALS

We provide financing for various types of equipment, including aircraft, energy and power systems, and vehicles through a variety of lease arrangements. Direct financing leases are carried at the sum of lease payments and the estimated residual value of the leased property, less unearned income. Residual values are subject to judgments as to the value of the underlying equipment that can be affected by changes in economic and market conditions and the financial viability of the residual guarantors. Residual values are derived from historical remarketing experience, secondary market contacts, and industry publications. To the extent not guaranteed or assumed by a third-party, we bear the risk of ownership of the leased assets. This includes the risk that the actual value of the leased assets at the end of the lease term will be less than the estimated residual value, which could result in an impairment charge and reduce earnings in the future. Residual values are reviewed for impairment at least annually.

REVENUE RECOGNITION

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

- Lending,
- Securities portfolio,
- Asset management,
- Customer deposits,
- Loan sales and servicing,
- Brokerage services,
- Sale of loans and securities,
- Certain private equity activities, and
- Securities, derivatives and foreign exchange activities.

We also earn fees and commissions from issuing loan commitments, standby letters of credit and financial guarantees, selling various insurance products, providing treasury management services, providing merger and acquisition advisory and related services, and participating in certain capital markets transactions. Revenue earned on interest-earning assets, including the accretion of discounts recognized on acquired or purchased loans recorded at fair value, is recognized based on the constant effective yield of the financial instrument or based on other applicable accounting guidance.

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

RESIDENTIAL AND COMMERCIAL MORTGAGE SERVICING RIGHTS

We elect to measure our residential mortgage servicing rights (MSRs) at fair value. This election was made to be consistent with our risk management strategy to hedge changes in the fair value of these assets as described below. The fair value of residential MSRs is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors which are determined based on current market conditions.

Commercial MSRs are purchased or originated when loans are sold with servicing retained. Commercial MSRs do not trade in an active market with readily observable prices so the precise terms and conditions of sales are not available. Commercial MSRs are initially recorded at fair value and are subsequently accounted for at the lower of amortized cost or fair value. Commercial MSRs are periodically evaluated for impairment. For purposes of impairment, the commercial MSRs are stratified based on asset type, which characterizes the predominant risk of the underlying financial asset. The fair value of commercial MSRs is estimated by using a discounted cash flow model incorporating inputs for assumptions as to constant prepayment rates, discount rates and other factors determined based on current market conditions and expectations. As of January 1, 2014, PNC made an irrevocable election to subsequently measure all classes of commercial MSRs at fair value in order to eliminate any potential measurement mismatch between our economic hedges and the commercial MSRs. The impact was not material. We will recognize gain/(loss) on changes in the fair value of commercial MSRs as a result of that election.

PNC employs risk management strategies designed to protect the value of MSRs from changes in interest rates and related market factors. Residential MSRs values are economically hedged with securities and 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 negatively correlated to the change in fair value of the hedged residential MSRs portfolio. The hedge relationships are actively managed in response to changing market conditions over the life of the residential MSRs assets. Commercial MSRs are economically hedged at a macro level or with specific derivatives to protect against a significant decline in interest rates. Selecting appropriate financial instruments to economically hedge residential or commercial MSRs requires significant management judgment to assess how mortgage rates and prepayment speeds could affect the future values of MSRs. Hedging results can frequently be less predictable in the short term, but over longer periods of time are expected to protect the economic value of the MSRs.

The following sections of this Report provide further information on residential and commercial MSRs:

- Note 9 Fair Value included in the Notes To Consolidated Financial Statements in Item 8 of this Report.
- Note 10 Goodwill and Other Intangible Assets included in the Notes To Consolidated Financial Statements in Item 8 of this Report.

INCOME TAXES

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

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

RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. This ASU clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. This ASU will also require additional disclosures, including: (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate properties that are in the process of foreclosure. This ASU is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. This ASU may be adopted using either a modified retrospective transition method or a prospective transition method. Early adoption is permitted. This guidance is effective as of January 1, 2015 and we do not expect this ASU to have a material effect on our results of operations or financial position.

In January 2014, the FASB issued ASU 2014-01, Investments – Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Qualified Affordable Housing Projects*. This ASU provides guidance on accounting for investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. If certain criteria are satisfied, investment amortization, net of tax credits, may be recognized in the income statement as a component of income taxes attributable to continuing operations under the proportional amortization method. This ASU is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. Retrospective application is required and early adoption is permitted. We intend to early adopt this guidance in the first quarter of 2014 and are currently assessing its impact.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This ASU clarifies current guidance to require that an unrecognized tax benefit or a portion thereof be presented in the statement of financial position as a reduction to a deferred tax asset for a net operating loss (NOL) carryforward, similar tax loss, or a tax credit carryforward except when an NOL carryforward, similar tax loss, or tax credit carryforward is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position. In such a case, the unrecognized tax benefit would be presented in the statement of financial position as a liability. No additional recurring disclosures are required by this ASU. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted with prospective application to all unrecognized tax benefits that exist at the effective date. Retrospective application is also permitted. This guidance is effective as of January 1, 2014 and we do not expect this ASU to have a material effect on our results of operations or financial position.

In June 2013, the FASB issued ASU 2013-08, Financial Services – Investment Companies (Topic 946): *Amendments to the Scope, Measurement and Disclosure Requirement.* This ASU modifies the guidance in ASC 946 for determining whether an entity is an investment company, as well as the measurement and disclosure requirements for investment companies. The ASU does not change current accounting where a noninvestment company parent retains the specialized accounting applied by an investment company subsidiary in consolidation. ASU 2013-08 will be applied prospectively for all periods beginning after December 15, 2013. We do not expect this ASU to have a material effect on our results of operations or financial position.

In March 2013, the FASB issued ASU 2013-05, Foreign Currency Matters (Topic 830): *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity.* This ASU clarifies the timing of release of Currency Translation Adjustments (CTA) from Accumulated Other Comprehensive Income upon deconsolidation or derecognition of a foreign entity, subsidiary or a group of assets within a foreign entity and in a step acquisition. ASU 2013-05 will be applied prospectively for all periods beginning after December 15, 2013 and early adoption is permitted. We do not expect this ASU to have an effect on our results of operations or financial position.

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405): *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. This ASU requires entities to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, as the sum of the following: a) the amount the reporting entity agreed to pay on the basis of its arrangement with its co-obligors and b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. Required disclosures include a description of the joint and several arrangements and the total outstanding amount of the obligation for all joint parties. ASU 2013-04 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and should be applied retrospectively to joint and several obligations existing at the beginning of 2014. We do not expect this ASU to have a material effect on our results of operations or financial position.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 Accounting Policies in the Notes To the Consolidated Financial Statements in Item 8 of this Report regarding the impact of new accounting pronouncements which we have adopted.

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 determined using a cash balance formula where earnings credits are applied as a percentage of eligible compensation. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants. Consistent with our investment strategy, plan assets are primarily invested in equity investments and fixed income instruments. Plan fiduciaries determine and review the plan's investment policy, which is described more fully in Note 15 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

We calculate the expense associated with the pension plan and the assumptions and methods that we use include a policy of reflecting trust assets at their fair market value. On an annual basis, we review the actuarial assumptions related to the pension plan. The primary assumptions used to measure pension obligations and costs are the discount rate, compensation increase and expected long-term return on assets. Among these, the compensation increase assumption does not significantly affect pension expense.

The discount rate used to measure pension obligations is determined by comparing the expected future benefits that will be paid under the plan with yields available on high quality corporate bonds of similar duration. The impact on pension expense of a .5% decrease in discount rate in the current environment is a decrease of $2 million per year. This sensitivity depends on the economic environment and amount of unrecognized actuarial gains or losses on the measurement date. This amount is significantly lower than in recent years since amortization of prior year net actuarial losses will not be required in 2014.

The expected long-term return on assets assumption also has a significant effect on pension expense. 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 asset allocation policy currently in place. For purposes of setting and reviewing this assumption, "long term" refers to the period over which the plan's projected benefit obligations will be disbursed. We review this assumption at each measurement date and adjust it if warranted. Our selection process references certain historical data and the current environment, but primarily utilizes qualitative judgment regarding future return expectations.

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 U.S. equity securities have historically returned approximately 10% annually over long periods of time, while U.S. debt securities have returned approximately 6% annually over long periods. Application of these historical returns to the plan's allocation ranges for equities and bonds produces a result between 7.00% and 7.75% 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 and consider the current economic environment. 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. While annual returns can vary significantly (actual returns for 2013, 2012 and 2011 were +15.48%, +15.29%, and +.11%, respectively), the selected assumption represents our estimated long-term average prospective returns.

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 others. 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.

Taking into consideration all of these factors, the expected long-term return on plan assets for determining net periodic pension cost for 2013 was 7.50%, down from 7.75% for 2012. After considering the views of both internal and external capital market advisors, particularly with regard to the effects of the recent economic environment on long-term prospective fixed income returns, we are reducing our expected long-term return on assets to 7.00% for determining pension cost for 2014.

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 increase or decrease by up to $9 million as the impact is amortized into results of operations.

We currently estimate pretax pension income of $9 million in 2014 compared with pretax expense of $74 million in 2013. This year-over-year expected decrease reflects the impact of favorable returns on plan assets experienced in 2013, as well as the effects of the higher discount rate required to be used in 2014.

The table below reflects the estimated effects on pension expense of certain changes in annual assumptions, using 2014 estimated expense as a baseline.

Table 29: Pension Expense – Sensitivity Analysis

Change in Assumption (a)	Estimated Increase/(Decrease) to 2014 Pension Expense (In millions)
.5% decrease in discount rate	$ (2)
.5% decrease in expected long-term return on assets	$ 21
.5% increase in compensation rate	$ 1

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

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 required 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 during 2014.

We maintain other defined benefit plans that have a less significant effect on financial results, including various nonqualified supplemental retirement plans for certain employees, which are described more fully in Note 15 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

RECOURSE AND REPURCHASE OBLIGATIONS

As discussed in Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Item 8 of this Report, PNC has sold commercial mortgage, residential mortgage and home equity loans directly or indirectly through securitization and loan sale transactions in which we have continuing involvement. One form of continuing involvement includes certain recourse and loan repurchase obligations associated with the transferred assets.

COMMERCIAL MORTGAGE LOAN RECOURSE OBLIGATIONS

We originate, close and service certain multi-family commercial mortgage loans which are sold to FNMA under FNMA's Delegated Underwriting and Servicing (DUS) program. We participated in a similar program with the FHLMC. Our exposure and activity associated with these recourse obligations are reported in the Corporate & Institutional Banking segment. For more information regarding our commercial mortgage loan recourse obligations, see the Recourse and Repurchase Obligations section of Note 24 Commitments and Guarantees included in the Notes To Consolidated Financial Statements in Item 8 of this Report.

RESIDENTIAL MORTGAGE REPURCHASE OBLIGATIONS

While residential mortgage loans are sold on a non-recourse basis, we assume certain loan repurchase obligations associated with mortgage loans we have sold to investors. These loan repurchase obligations primarily relate to situations where PNC is alleged to have breached certain origination covenants and representations and warranties made to purchasers of the loans in the respective purchase and sale agreements. Residential mortgage loans covered by these loan repurchase obligations include first and second-lien mortgage loans we have sold through Agency securitizations, Non-Agency securitizations, and loan sale transactions. As discussed in Note 3 in the Notes To Consolidated Financial Statements in Item 8 of this Report, Agency securitizations consist of mortgage loan sale transactions with FNMA, FHLMC and the Government National Mortgage Association (GNMA), while Non-Agency securitizations consist of mortgage loan sale transactions with private investors. Mortgage loan sale transactions that are not part of a securitization may involve FNMA, FHLMC or private investors. Our historical exposure and activity associated with Agency securitization repurchase obligations has primarily been related to transactions with FNMA and FHLMC, as indemnification and repurchase losses associated with FHA and VA-insured and uninsured loans pooled in GNMA securitizations historically have been minimal. Repurchase obligation activity associated with residential mortgages is reported in the Residential Mortgage Banking segment.

Loan covenants and representations and warranties are established through loan sale agreements with various investors to provide assurance that PNC has sold loans that are of sufficient investment quality. Key aspects of such covenants and representations and warranties include the loan's compliance with any applicable loan criteria established for the transaction, including underwriting standards, delivery of all required loan documents to the investor or its designated party, sufficient collateral valuation and the validity of the lien securing the loan. As a result of alleged breaches of these contractual obligations, investors may request PNC to indemnify them against losses on certain loans or to repurchase loans.

We investigate every investor claim on a loan by loan basis to determine the existence of a legitimate claim and that all other conditions for indemnification or repurchase have been met prior to the settlement with that investor. Indemnifications for loss or loan repurchases typically occur when, after review of the claim, we agree insufficient evidence exists to dispute the investor's claim that a breach of a loan covenant and representation and warranty has occurred, such breach has not been cured and the effect of such breach is deemed to have had a material and adverse effect on the value of the transferred loan. Depending on the sale agreement and upon proper notice from the investor, we typically respond to such indemnification and repurchase requests within 60 days, although final resolution of the claim may take a longer period of time. With the exception of the sales agreements associated with the Agency securitizations, most sale agreements do not provide for penalties or other remedies if we do not respond timely to investor indemnification or repurchase requests.

Indemnification and repurchase claims are often settled on an individual basis through make-whole payments or loan repurchases, although we may also negotiate pooled settlements with investors. In connection with pooled settlements, we typically do not repurchase loans and the consummation of such transactions generally results in us no longer having indemnification and repurchase exposure with the investor in the transaction.

For the first and second-lien mortgage settled claims contained in the table below, a significant amount of these claims were associated with sold loans originated through correspondent lender and broker origination channels. In certain instances when indemnification or repurchase claims are settled for these types of sold loans, we have recourse back to the correspondent lenders, brokers and other third-parties (*e.g.*, contract underwriting companies, closing agents, appraisers, etc.). Depending on the underlying reason for the investor claim, we determine our ability to pursue recourse with these parties and file claims with them accordingly. Our historical recourse recovery rate has been insignificant as our efforts have been impacted by the inability of such parties to reimburse us for their recourse obligations (*e.g.*, their capital availability or whether they remain in business) or factors that limit our ability to pursue recourse from these parties (*e.g.*, contractual loss caps, statutes of limitations).

Origination and sale of residential mortgages is an ongoing business activity and, accordingly, management continually assesses the need to recognize indemnification and repurchase liabilities pursuant to the associated investor sale agreements. We establish indemnification and repurchase liabilities for estimated losses on sold first and second-lien mortgages for which indemnification is expected to be provided or for loans that are expected to be repurchased. For the first and second-lien mortgage sold portfolio, we have established an indemnification and repurchase liability pursuant to investor sale agreements based on claims made and our estimate of future claims on a loan by loan basis. To estimate the mortgage repurchase liability arising from breaches of representations and warranties, we consider the following factors: (i) borrower performance in our historically sold portfolio (both actual and estimated future defaults), (ii) the level of outstanding unresolved repurchase claims, (iii) estimated probable future repurchase claims, considering information about file requests, delinquent and liquidated loans, resolved and unresolved mortgage insurance rescission notices and our historical experience with claim rescissions, (iv) the potential ability to cure the defects identified in the repurchase claims (“rescission rate”) and (v) the estimated severity of loss upon repurchase of the loan or collateral, make-whole settlement or indemnification.

See Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

The following tables present the unpaid principal balance of repurchase claims by vintage and total unresolved repurchase claims for the past five quarters.

Table 30: Analysis of Quarterly Residential Mortgage Repurchase Claims by Vintage

Dollars in millions	December 31 2013	September 30 2013	June 30 2013	March 31 2013	December 31 2012
2004 & Prior	$ 66	$ 41	$ 51	$ 12	$ 11
2005	88	48	7	10	8
2006	27	27	19	28	23
2007	35	58	36	108	45
2008	9	7	9	15	7
2008 & Prior	225	181	122	173	94
2009 – 2013	19	16	14	50	38
Total	$ 244	$ 197	$ 136	$ 223	$ 132
FNMA, FHLMC and GNMA %	96%	90%	92%	95%	94%

Table 31: Analysis of Quarterly Residential Mortgage Unresolved Asserted Indemnification and Repurchase Claims

Dollars in millions	December 31 2013	September 30 2013	June 30 2013	March 31 2013	December 31 2012
FNMA, FHLMC and GNMA Securitizations	$ 13	$ 148	$ 96	$ 165	$ 290
Private Investors (a)	22	24	37	45	47
Total unresolved claims	$ 35	$ 172	$ 133	$ 210	$ 337
FNMA, FHLMC and GNMA %	37%	86%	72%	79%	86%

(a) Activity relates to loans sold through Non-Agency securitization and loan sale transactions.

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The table below details our indemnification and repurchase claim settlement activity during 2013 and 2012.

Table 32: Analysis of Residential Mortgage Indemnification and Repurchase Claim Settlement Activity

	2013			2012		
Year ended December 31 – In millions	Unpaid Principal Balance (a)	Losses Incurred (b)	Fair Value of Repurchased Loans (c)	Unpaid Principal Balance (a)	Losses Incurred (b)	Fair Value of Repurchased Loans (c)
Residential mortgages (d):						
FNMA, FHLMC and GNMA securitizations	$ 378	$ 399	$ 89	$ 356	$ 210	$ 85
Private investors (e)	47	31	6	75	46	5
Total indemnification and repurchase settlements	$ 425	$ 430	$ 95	$ 431	$ 256	$ 90

(a) Represents unpaid principal balance of loans at the indemnification or repurchase date. Excluded from these balances are amounts associated with pooled settlement payments as loans are typically not repurchased in these transactions.
(b) Represents both i) amounts paid for indemnification/settlement payments and ii) the difference between loan repurchase price and fair value of the loan at the repurchase date. These losses are charged to the indemnification and repurchase liability.
(c) Represents fair value of loans repurchased only as we have no exposure to changes in the fair value of loans or underlying collateral when indemnification/settlement payments are made to investors.
(d) Repurchase activity associated with insured loans, government-guaranteed loans and loans repurchased through the exercise of our removal of account provision (ROAP) option are excluded from this table. Refer to Note 3 in the Notes To Consolidated Financial Statements in Item 8 of this Report for further discussion of ROAPs.
(e) Activity relates to loans sold through Non-Agency securitizations and loan sale transactions.

Residential mortgages that we service through FNMA, FHLMC and GNMA securitizations, and for which we could experience a loss if required to repurchase a delinquent loan due to a breach in representations or warranties, were $48 billion at December 31, 2013, of which $253 million was 90 days or more delinquent. These amounts were $43 billion and $288 million, respectively, at December 31, 2012.

During 2013 and 2012, in an effort to reduce their exposure to losses on purchased loans, FNMA and FHLMC increased their level of repurchase claims, primarily on 2008 and prior vintage loans. In the fourth quarter of 2013, PNC reached agreements with both FNMA and FHLMC to resolve their repurchase claims with respect to loans sold between 2000 and 2008. PNC paid a total of $191 million related to these settlements. As these settlements were being finalized, both FNMA and FHLMC continued to make repurchase demands, which drove the increase in claims activity in the fourth quarter of 2013. However, most of these claims were included in the settlements, resulting in the significant decline of unresolved claims to $35 million as of December 31, 2013.

As a result of the claim settlement activity in 2013, including the FNMA and FHLMC settlements, the liability for estimated losses on indemnification and repurchase claims for residential mortgages decreased to $131 million at December 31, 2013 from $614 million at December 31, 2012.

We believe our indemnification and repurchase liability appropriately reflects the estimated probable losses on indemnification and repurchase claims for all residential mortgage loans sold and outstanding as of December 31, 2013 and December 31, 2012. In making these estimates, we consider the losses that we expect to incur over the life of the sold loans. See Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Indemnification and repurchase liabilities, which are included in Other liabilities on the Consolidated Balance Sheet, are initially recognized when loans are sold to investors and are subsequently evaluated by management. Initial recognition and subsequent adjustments to the indemnification and repurchase liability for the sold residential mortgage portfolio are recognized in Residential mortgage revenue on the Consolidated Income Statement.

HOME EQUITY REPURCHASE OBLIGATIONS

PNC's repurchase obligations include obligations with respect to certain brokered home equity loans/lines of credit that were sold to a limited number of private investors in the financial services industry by National City prior to our acquisition of National City. PNC is no longer engaged in the brokered home equity lending business, and our exposure under these loan repurchase obligations is limited to repurchases of the loans sold in these transactions. Repurchase activity associated with brokered home equity loans/lines of credit is reported in the Non-Strategic Assets Portfolio segment.

Loan covenants and representations and warranties were established through loan sale agreements with various investors to provide assurance that loans PNC sold to the investors were of sufficient investment quality. Key aspects of such covenants and representations and warranties include the loan's compliance with any applicable loan criteria established for the transaction, including underwriting standards, delivery of all required loan documents to the investor or its designated party, sufficient collateral valuation, and the validity of the lien securing the loan. As a result of alleged breaches of these contractual obligations, investors may request PNC to indemnify them against losses on certain loans or to repurchase loans.

We investigate every investor claim on a loan by loan basis to determine the existence of a legitimate claim and that all other conditions for indemnification or repurchase have been met prior to settlement with that investor. Indemnifications for loss or loan repurchases typically occur when, after review of the claim, we agree insufficient evidence exists to dispute the investor's claim that a breach of a loan covenant and representation and warranty has occurred, such breach has not been cured, and the effect of such breach is deemed to have had a material and adverse effect on the value of the transferred loan. Depending on the sale agreement and upon proper notice from the investor, we typically respond to home equity indemnification and repurchase requests within 60 days, although final resolution of the claim may take a longer period of time. Most home equity sale agreements do not provide for penalties or other remedies if we do not respond timely to investor indemnification or repurchase requests.

Investor indemnification or repurchase claims are typically settled on an individual loan basis through make-whole payments or loan repurchases; however, on occasion we may negotiate pooled settlements with investors. In connection with pooled settlements, we typically do not repurchase loans and the consummation of such transactions generally results in us no longer having indemnification and repurchase exposure with the investor in the transaction.

The following table details the unpaid principal balance of our unresolved home equity indemnification and repurchase claims at December 31, 2013 and December 31, 2012, respectively.

Table 33: Analysis of Home Equity Unresolved Asserted Indemnification and Repurchase Claims

In millions	December 31 2013	December 31 2012
Home equity loans/lines of credit:		
Private investors (a)	$ 17	$ 74

(a) Activity relates to brokered home equity loans/lines of credit sold through loan sale transactions which occurred during 2005-2007.

The table below details our home equity indemnification and repurchase claim settlement activity during 2013 and 2012.

Table 34: Analysis of Home Equity Indemnification and Repurchase Claim Settlement Activity

	2013			2012		
Year ended December 31 – In millions	Unpaid Principal Balance (a)	Losses Incurred (b)	Fair Value of Repurchased Loans (c)	Unpaid Principal Balance (a)	Losses Incurred (b)	Fair Value of Repurchased Loans (c)
Home equity loans/lines of credit:						
Private investors – Repurchases (d)	$ 9	$ 36	$ 1	$ 22	$ 18	$ 4

(a) Represents unpaid principal balance of loans at the indemnification or repurchase date. Excluded from these balances are amounts associated with pooled settlement payments as loans are typically not repurchased in these transactions.
(b) Represents the difference between loan repurchase price and fair value of the loan at the repurchase date. These losses are charged to the indemnification and repurchase liability. Losses incurred in 2013 also include amounts for settlement payments.
(c) Represents fair value of loans repurchased only as we have no exposure to changes in the fair value of loans or underlying collateral when indemnification/settlement payments are made to investors.
(d) Activity relates to brokered home equity loans/lines of credit sold through loan sale transactions which occurred during 2005-2007.

During 2013 and 2012, unresolved and settled investor indemnification and repurchase claims were primarily related to one of the following alleged breaches in representations and warranties: (i) misrepresentation of income, assets or employment, (ii) property evaluation or status issues (*e.g.*, appraisal, title, etc.) or (iii) underwriting guideline violations. The lower balance of unresolved indemnification and repurchase claims at December 31, 2013 is attributed to settlement activity in 2013. The lower repurchase activity in 2013 was affected by lower claim activity and lower inventory of claims.

An indemnification and repurchase liability for estimated losses for which indemnification is expected to be provided or for loans that are expected to be repurchased was established at the acquisition of National City. Management's evaluation of these indemnification and repurchase liabilities is based upon trends in indemnification and repurchase claims, actual loss experience, risks in the underlying serviced loan portfolios, current economic conditions and the periodic negotiations that management may enter into with investors to settle existing and potential future claims.

At December 31, 2013 and December 31, 2012, the liability for estimated losses on indemnification and repurchase claims for home equity loans/lines of credit was $22 million and $58 million, respectively. We believe our indemnification and repurchase liability appropriately reflects the estimated probable losses on indemnification and repurchase claims for all home equity loans/lines of credit sold and outstanding as of December 31, 2013 and December 31, 2012. In making these estimates, we consider the losses that we expect to incur over the life of the sold loans. See Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Indemnification and repurchase liabilities, which are included in Other liabilities on the Consolidated Balance Sheet, are evaluated by management on a quarterly basis. Initial recognition and subsequent adjustments to the indemnification and repurchase liability for home equity loans/lines of credit are recognized in Other noninterest income on the Consolidated Income Statement.

RISK MANAGEMENT

ENTERPRISE RISK MANAGEMENT

PNC encounters risk as part of the normal course of operating our business. Accordingly, we design risk management processes to help manage this risk. This Risk Management section describes our risk framework, including risk appetite and strategy, culture, governance, risk identification, controls and reporting. It also provides an analysis of our key areas of risk, which include but are not limited to credit, operational, market, liquidity and model. Our use of financial derivatives as part of our overall asset and liability risk management process is also addressed within the Risk Management section.

PNC operates within a rapidly evolving regulatory environment. Accordingly, we are actively focused on the timely adoption of regulatory pronouncements within our Enterprise Risk Management (ERM) Framework.

We view Risk Management as a cohesive combination of the following risk elements which form PNC's ERM Framework:

RISK APPETITE AND STRATEGY

PNC dynamically manages its risk appetite to optimize long term shareholder value while supporting our employees, customers, and communities. PNC's risk appetite represents the organization's desired enterprise risk position, set within our risk capacity to achieve our strategic objectives and business plans. Reviewed periodically through the risk reporting and Strategic Planning processes, the risk appetite serves as an operating guide for making balanced risk decisions that support our business strategies; it will adjust over time to reflect the current and anticipated economic environment, growth objectives, risk capacity and our risk profile.

We set individual risk appetite descriptions for each of the risks within our taxonomy to support the components of the Risk Appetite Statement. The risk appetite descriptions are qualitative and quantitative statements that reflect risk limits as defined in policy and managed through the ERM framework.

RISK CULTURE

All employees are considered risk managers, and are responsible for understanding PNC's Risk Appetite Statement and ERM framework and how they apply to their respective roles. They are encouraged to collaborate across groups to identify and mitigate risks and elevate issues as required. PNC reinforces risk management responsibilities through a performance management system where employee performance goals include risk management objectives. Incentives for relevant employees incorporate risk management results through balanced measures of risk-adjusted performance.

Proactive communication, between groups and up to the Board of Directors, facilitates timely identification and resolution of risk issues. PNC's multi-level risk committee structure provides a formal channel to identify, decision, and report risk. Risk committee membership includes representatives from business and risk stakeholder groups that are responsible for helping ensure risk issues are proactively identified, decisioned, monitored, communicated and managed appropriately within the enterprise risk management framework.

All PNC employees are responsible for risk management and PNC's governance structure establishes clear roles and responsibilities for risk management throughout the organization.

RISK ORGANIZATION AND GOVERNANCE

PNC employs a comprehensive Risk Management governance structure to help ensure that risks are identified, balanced decisions are made that consider risk and return, and risks are adequately monitored and managed. Risk committees established within this governance structure provide oversight for risk management activities at the Board, corporate, and business levels. Committee composition is designed to provide effective oversight, with the risk organization having sufficient authority to influence material decisions. The Board oversees enterprise risk management of PNC for any material changes to the risk profile and periodically reviews core elements of enterprise risk including the Risk Appetite Statement and Risk Capacity, Appetite and Strategy.

We use our governance structure to assess the effectiveness of our Risk Management practices on an ongoing basis, based on how we manage our day-to-day business activities and on our development and execution of more specific strategies to mitigate risks. Specific responsibilities include:

Board of Directors – The Board oversees enterprise risk management. The Risk Committee of the Board of

Directors evaluates PNC's risk appetite, management's assessment of the enterprise risk profile, and the enterprise-wide risk structure and processes established by management to identify, measure, monitor, and manage risk. The Audit Committee of the Board also has responsibility for select areas of risk (*e.g.*, Financial Reporting, Ethics and Internal Controls over Financial Reporting).

Corporate Committees – The corporate committees are responsible for overseeing risk standards and strategies, recommending risk limits, policies and metrics, monitoring risk exposures, reviewing risk profiles and key risk issues, and approving significant transactions and initiatives. At the management level, PNC has established several senior management-level committees to facilitate the review, evaluation, and management of risk. The management-level Executive Committee (EC) is the corporate committee that is responsible for developing enterprise-wide strategy and achieving PNC's strategic objectives. The EC evaluates risk management, in part, by monitoring risk reporting from the other corporate committees, which are the supporting committees for EC.

Working Committees – The working committees are generally subcommittees of the corporate committees and include risk management committees for each of PNC's major businesses or functions. Working committees are intended to define, design and develop the risk management framework at the business or function level. The working committees help to implement key enterprise-level activities within a business or function. These committees recommend risk management policies for the business or function that are consistent with the enterprise-wide risk management objectives and policies. The business level committees are also responsible for approving significant initiatives under a certain threshold.

Working Groups – Where appropriate, management will also form ad hoc groups (working groups) to address specific risk topics and report to a working committee or corporate committee. These working groups generally have a more narrow scope and may be limited in their duration.

Policies and Procedures – PNC has established risk management policies and procedures to provide direction and guidance to management and the Board of Directors. These policies and procedures are organized in a multi-tiered framework and require periodic review and approval by relevant committees within the governance structure.

Business Activities – Our businesses strive to enhance risk management and internal control processes. Integrated and comprehensive processes are designed to adequately identify, measure, manage, monitor, and report risks which may significantly impact each business.

RISK IDENTIFICATION AND QUANTIFICATION

Risk identification takes place across a variety of risk types throughout the organization. These risk types consist of, but are not limited to, credit, operational, market, liquidity and model. Risks are identified based on a balanced use of analytical tools and management judgment for both on- and off-balance sheet exposures. Our governance structure supports risk identification by facilitating assessment of key risk issues, emerging risks, and idiosyncratic risks and implementation of mitigation strategies as appropriate. These risks are prioritized based on quantitative and qualitative analysis and assessed against the risk appetite. Multiple tools and approaches are used to help identify and prioritize risks, including Key Risk Indicators (KRIs), Key Performance Indicators (KPIs), Risk Control and Self-Assessments (RCSAs), scenario analysis, stress testing, special investigations and controls.

Risks are aggregated and assessed within and across risk functions or businesses. The aggregated risk information is reviewed and reported at an enterprise level for adherence to the risk appetite and tolerances as established through the policy framework and approved by the Board of Directors or by appropriate managing committees. This enterprise aggregation and reporting approach promotes the identification and appropriate escalation of material risks across the organization and supports an understanding of the cumulative impact of risk in relation to our risk appetite.

RISK CONTROL AND LIMITS

PNC uses a multi-tiered risk policy, procedure, and committee charter framework to provide direction and guidance for identifying, decisioning, monitoring, communicating and managing risk, including appropriate processes to escalate control parameter exceptions when applicable.

Risk controls and limits provide the linkage between PNC's Risk Appetite Statement and the risk taking activities of our businesses. Risk Limits are quantitative measures, including forward looking assumptions, which allocate the firm's aggregate risk appetite statement to lines of business and functional risk areas. They are established within policy across risk categories and are embedded within each risk appetite description.

When setting risk limits, PNC considers major risks, aligns with the established risk appetite, balances risk-reward, leverages analytics, and adjusts limits in a timely manner in response to changes in internal and external environments. Quantitative and qualitative operating guidelines support risk limits and serve as an early warning system for potential violations of the limits. These operating guidelines trigger mitigation strategies and management escalation protocols if limits are breached.

PNC's control structure is balanced in terms of efficiency and effectiveness with the risks that we are willing to take, as defined by our risk appetite. Controls are in place across the risk taxonomy to monitor established risk limits.

RISK MONITORING AND REPORTING

PNC uses similar tools to monitor and report risk as when performing Risk Identification. These tools include KRIs, KPIs, RCSAs, scenario analysis, stress testing, special investigations and controls.

The risk identification and quantification processes, the risk control and limits reviews, and the tools used for risk monitoring provide the basis for risk reporting. The objective of risk reporting is comprehensive risk aggregation and transparent communication of aggregated risks, as well as mitigation strategies, to the Risk Committee of the Board of Directors, Corporate Committees, Working Committees and other designated parties for effective decision making.

Risk reports are produced at the line of business level, functional risk level and the enterprise level. The enterprise level risk report aggregates risks identified in the functional and business reports to define the enterprise risk profile. The enterprise risk profile is a point-in-time assessment of enterprise risk. The risk profile represents PNC's overall risk position in relation to the desired enterprise risk appetite and overall risk capacity. The determination of the enterprise risk profile is based on analysis of quantitative reporting of risk limits and other measures along with qualitative assessments. Quarterly aggregation of our risk profile enables a clear view of our risk level relative to our quantitative risk appetite and overall risk capacity. The enterprise level report is provided through the governance structure to the Board of Directors.

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. Our processes for managing credit risk are embedded in PNC's risk culture and in our decision-making processes using a systematic approach whereby credit risks and related exposures are: identified and assessed, managed through specific policies and processes, measured and evaluated against our risk tolerance and credit concentration limits, and reported, along with specific mitigation activities, to management and the Board through our governance structure.

ASSET QUALITY OVERVIEW

Asset quality trends in 2013, which include the impact of alignment with interagency supervisory guidance during the first quarter of 2013, improved from December 31, 2012.

- Nonperforming assets decreased from $3.8 billion at December 31, 2012 to $3.5 billion as of December 31, 2013 mainly due to a reduction in total commercial nonperforming loans, primarily related to commercial real estate. OREO also added to the decline in nonperforming assets due to an increase in sales. Overall consumer nonperforming loans increased $264 million due to the impact from the alignment with interagency supervisory guidance for loans and lines of credit related to consumer loans which resulted in $426 million of loans being classified as nonperforming in the first quarter of 2013. This increase was partially offset by a decrease in nonperforming consumer troubled debt restructurings as more loans returned to performing status upon achieving six months of performance under the restructured terms and other consumer nonperforming loans principal activity.
- Overall loan delinquencies of $2.5 billion decreased $1.3 billion, or 33%, from year-end 2012 levels. The reduction was largely due to a reduction in accruing government insured residential real estate loans past due 90 days or more of approximately $830 million, the majority of which we took possession of and conveyed the real estate, or are in the process of conveyance and claim resolution. Additionally, there was a decline in total consumer loan delinquencies of $395 million during the first quarter of 2013, pursuant to alignment with interagency supervisory guidance whereby loans were moved from various delinquency categories to either nonperforming or, in the case of loans accounted for under the fair value option, nonaccruing, or charged off.
- Net charge-offs were $1.1 billion in 2013, down from net charge-offs of $1.3 billion in 2012, due to improving credit quality throughout the year, which was partially offset by the impact of alignment with interagency supervisory guidance in the first quarter of 2013 which increased charge-offs.
- Provision for credit losses in 2013 declined to $643 million compared with $987 million in 2012. The decline in the comparisons was driven primarily by overall credit quality improvement, which included improvement in expected cash flows for our purchased impaired loan portfolio. Increasing value of residential real estate is among the factors contributing to improved credit quality.
- The level of ALLL decreased to $3.6 billion at December 31, 2013 from $4.0 billion at December 31, 2012.

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NONPERFORMING ASSETS AND LOAN DELINQUENCIES

NONPERFORMING ASSETS, INCLUDING OREO AND FORECLOSED ASSETS

Nonperforming assets include nonperforming loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming troubled debt restructurings (TDRs), OREO and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans, purchased impaired loans and loans accounted for under the fair value option are excluded from nonperforming loans. Additional information regarding our nonperforming loans and nonaccrual policies is included in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report. The major categories of nonperforming assets are presented in Table 35.

In the first quarter of 2013, we completed our alignment of certain nonaccrual and charge-off policies consistent with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending. This alignment primarily related to (i) subordinate consumer loans (home equity loans and lines of credit and residential mortgages) where the first-lien loan was 90 days or more past due, (ii) government guaranteed loans where the guarantee may not result in collection of substantially all contractual principal and interest and (iii) certain loans with borrowers in or discharged from bankruptcy. In the first quarter of 2013, nonperforming loans increased by $426 million and net charge-offs increased by $134 million as a result of completing the alignment of the aforementioned policies. Additionally, overall delinquencies decreased $395 million due to loans now being reported as either nonperforming or, in the case of loans accounted for under the fair value option, nonaccruing or having been charged off. Certain consumer nonperforming loans were charged-off to the respective collateral value less costs to sell, and any associated allowance at the time of charge-off was reduced to zero. Therefore, the charge-off activity resulted in a reduction to the allowance. As the interagency guidance was adopted, incremental provision for credit losses was recorded if the related loan charge-off exceeded the associated allowance. Consumer provision for credit losses declined versus prior year as overall improvement in credit quality, which was favorably impacted by higher residential real estate prices, more than offset any increase in provision from the alignment with interagency guidance. Subsequent declines in collateral value for these loans will result in additional charge-offs to maintain recorded investment at collateral value less costs to sell. The impact of the alignment of the policies was considered in our reserving process in the determination of our ALLL at December 31, 2012. See Tables 35, 37, 38, 39, 40 and 46 for additional information.

At December 31, 2013, TDRs included in nonperforming loans were $1.5 billion, or 49%, of total nonperforming loans compared to $1.6 billion, or 49%, of total nonperforming loans as of December 31, 2012. Within consumer nonperforming loans, residential real estate TDRs comprise 59% of total residential real estate nonperforming loans at December 31, 2013, down from 64% at December 31, 2012. Home equity TDRs comprise 54% of home equity nonperforming loans at December 31, 2013, down from 70% at December 31, 2012. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status.

At December 31, 2013, our largest nonperforming asset was $36 million in the Real Estate, Rental and Leasing Industry and our average nonperforming loans associated with commercial lending were under $1 million. Nine of the ten largest outstanding nonperforming assets are from the commercial lending portfolio and represent 13% and 4% of total commercial lending nonperforming loans and total nonperforming assets, respectively, as of December 31, 2013.

Table 35: Nonperforming Assets By Type

In millions	December 31 2013	December 31 2012
Nonperforming loans		
Commercial lending		
Commercial		
Retail/wholesale trade	$ 57	$ 61
Manufacturing	58	73
Service providers	108	124
Real estate related (a)	124	178
Financial services	7	9
Health care	19	25
Other industries	84	120
Total commercial	457	590
Commercial real estate		
Real estate projects (b)	436	654
Commercial mortgage	82	153
Total commercial real estate	518	807
Equipment lease financing	5	13
Total commercial lending	980	1,410
Consumer lending (c)		
Home equity (d)	1,139	951
Residential real estate		
Residential mortgage (d)	890	824
Residential construction	14	21
Credit card	4	5
Other consumer (d)	61	43
Total consumer lending	2,108	1,844
Total nonperforming loans (e)	3,088	3,254
OREO and foreclosed assets		
Other real estate owned (OREO) (f)	360	507
Foreclosed and other assets	9	33
Total OREO and foreclosed assets	369	540
Total nonperforming assets	$ 3,457	$ 3,794
Amount of commercial lending nonperforming loans contractually current as to remaining principal and interest	$ 266	$ 342
Percentage of total commercial lending nonperforming loans	27%	24%
Amount of TDRs included in nonperforming loans	$ 1,511	$ 1,589
Percentage of total nonperforming loans	49%	49%
Nonperforming loans to total loans	1.58%	1.75%
Nonperforming assets to total loans, OREO and foreclosed assets	1.76	2.04
Nonperforming assets to total assets	1.08	1.24
Allowance for loan and lease losses to total nonperforming loans (g)	117	124

(a) Includes loans related to customers in the real estate and construction industries.
(b) Includes both construction loans and intermediate financing for projects.
(c) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(d) Pursuant to alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, nonperforming home equity loans increased $214 million, nonperforming residential mortgage loans increased $187 million and nonperforming other consumer loans increased $25 million. Charge-offs were taken on these loans where the fair value less costs to sell the collateral was less than the recorded investment of the loan and were $134 million.
(e) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.
(f) OREO excludes $245 million and $380 million at December 31, 2013 and December 31, 2012, respectively, related to residential real estate that was acquired by us upon foreclosure of serviced loans because they are insured by the FHA or guaranteed by the VA.
(g) The allowance for loan and lease losses includes impairment reserves attributable to purchased impaired loans. See Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Table 36 : OREO and Foreclosed Assets

In millions	December 31 2013	December 31 2012
Other real estate owned (OREO):		
Residential properties	$ 164	$ 167
Residential development properties	74	135
Commercial properties	122	205
Total OREO	360	507
Foreclosed and other assets	9	33
Total OREO and foreclosed assets	$ 369	$ 540

Total OREO and foreclosed assets decreased $171 million during 2013 from $540 million at December 31, 2012, to $369 million at December 31, 2013 and is 11% of total nonperforming assets at December 31, 2013. As of December 31, 2013 and December 31, 2012, 44% and 31%, respectively, of our OREO and foreclosed assets were comprised of 1-4 family residential properties. The lower level of OREO and foreclosed assets was driven mainly by continued strong sales activity offset slightly by an increase in foreclosures. Excluded from OREO at December 31, 2013 and December 31, 2012, respectively, was $245 million and $380 million of residential real estate that was acquired by us upon foreclosure of serviced loans because they are insured by the FHA or guaranteed by the VA.

Table 37: Change in Nonperforming Assets

In millions	2013	2012
January 1	$ 3,794	$ 4,156
New nonperforming assets (a)	3,343	3,648
Charge-offs and valuation adjustments (b)	(1,002)	(1,218)
Principal activity, including paydowns and payoffs	(1,016)	(1,812)
Asset sales and transfers to loans held for sale	(492)	(610)
Returned to performing status	(1,170)	(370)
December 31	$ 3,457	$ 3,794

(a) New nonperforming assets include $560 million of loans added in the first quarter of 2013 due to the alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending.

(b) Charge-offs and valuation adjustments include $134 million of charge-offs added in the first quarter of 2013 due to the alignment with interagency supervisory guidance discussed in footnote (a) above.

The table above presents nonperforming asset activity during 2013 and 2012. Nonperforming assets decreased $337 million from $3.8 billion at December 31, 2012, driven primarily by a decrease in commercial lending nonperforming loans, an increase in consumer loans returning to performing and principal activity within consumer, along with an increase in sales of OREO, partially offset by increases in consumer lending nonperforming loans due to alignment with interagency supervisory guidance in the first quarter of 2013. Approximately 87% of total nonperforming loans are secured by collateral which would be expected to reduce credit losses and require less reserve in the event of default, and 27% of commercial lending nonperforming loans are contractually current as to both principal and interest obligations. As of December 31, 2013, commercial lending nonperforming loans are carried at approximately 64% of their unpaid principal balance, due to charge-offs recorded to date, before consideration of the ALLL. See Note 5 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on these loans.

Purchased impaired 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 yield represents the excess of the expected cash flows on the loans at the measurement date over the carrying value. Generally decreases, other than interest rate decreases for variable rate notes, in the net present value of expected cash flows of individual commercial or pooled purchased impaired loans would result in an impairment charge to the provision for loan losses in the period in which the change is deemed probable. Generally increases 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 yield for the remaining life of the purchased impaired loans. Total nonperforming loans and assets in the tables above are significantly lower than they would have been due to this accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of nonperforming loans to total loans and a higher ratio of ALLL to nonperforming loans. See Note 6 Purchased Loans in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on these loans.

LOAN DELINQUENCIES

We regularly monitor the level of loan delinquencies and believe these levels may be a key indicator of loan portfolio asset quality. Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies exclude loans held for sale and purchased impaired loans, but include government insured or guaranteed loans and loans accounted for under the fair value option.

Total early stage loan delinquencies (accruing loans past due 30 to 89 days) decreased from $1.4 billion at December 31, 2012, to $1.0 billion at December 31, 2013. The reduction in consumer lending early stage delinquencies was mainly due to the alignment with interagency supervisory guidance in the first quarter of 2013 whereby such loans were classified as either nonperforming or, in the case of loans accounted for under the fair value option, nonaccruing, or charged off. Commercial lending early stage delinquencies declined due to improving credit quality. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information regarding our nonperforming loan and nonaccrual policies.

Accruing loans past due 90 days or more are referred to as late stage delinquencies. These loans are not included in nonperforming loans and continue to accrue interest because they are well secured by collateral, and/or are in the process of collection, or are managed in homogenous portfolios with specified charge-off timeframes adhering to regulatory guidelines. These loans decreased $.9 billion, or 37%, from $2.4 billion at December 31, 2012, to $1.5 billion at December 31, 2013, mainly due to a decline in government insured residential real estate loans of $.8 billion, the majority of which we took possession of and conveyed the real estate, or are in the process of conveyance and claim resolution. Additionally, late stage delinquencies decreased $.3 billion due to the alignment with interagency supervisory guidance in the first quarter of 2013 in which loans were moved to either nonperforming or, in the case of loans accounted for under the fair value option, nonaccruing, or charged-off. The following tables display the delinquency status of our loans at December 31, 2013 and December 31, 2012. Additional information regarding accruing loans past due is included in Note 5 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Table 38: Accruing Loans Past Due 30 To 59 Days (a)(b)

	Amount		Percentage of Total Outstandings	
Dollars in millions	December 31 2013	December 31 2012	December 31 2013	December 31 2012
Commercial	$ 81	$ 115	.09%	.14%
Commercial real estate	54	100	.25	.54
Equipment lease financing	31	17	.41	.23
Home equity	86	117	.24	.33
Residential real estate				
Non government insured	112	151	.74	.99
Government insured	105	127	.70	.83
Credit card	29	34	.66	.79
Other consumer				
Non government insured	62	65	.28	.30
Government insured	154	193	.68	.90
Total	$ 714	$ 919	.37	.49

(a) See note (a) at Table 40: Accruing Loans Past Due 90 Days Or More.
(b) See note (b) at Table 40: Accruing Loans Past Due 90 Days Or More.

Table 39: Accruing Loans Past Due 60 To 89 Days (a)(b)

	Amount		Percentage of Total Outstandings	
Dollars in millions	December 31 2013	December 31 2012	December 31 2013	December 31 2012
Commercial	$ 20	$ 55	.02%	.07%
Commercial real estate	11	57	.05	.31
Equipment lease financing	2	1	.03	.01
Home equity	34	58	.09	.16
Residential real estate				
Non government insured	30	49	.20	.32
Government insured	57	97	.38	.64
Credit card	19	23	.43	.53
Other consumer				
Non government insured	18	21	.08	.10
Government insured	94	110	.42	.51
Total	$ 285	$ 471	.15	.25

(a) See note (a) at Table 40: Accruing Loans Past Due 90 Days Or More.
(b) See note (b) at Table 40: Accruing Loans Past Due 90 Days Or More.

Table 40: Accruing Loans Past Due 90 Days Or More (a)(b)

	Amount		Percentage of Total Outstandings	
Dollars in millions	December 31 2013	December 31 2012	December 31 2013	December 31 2012
Commercial	$ 42	$ 42	.05%	.05%
Commercial real estate	2	15	.01	.08
Equipment lease financing		2		.03
Residential real estate				
Non government insured	35	46	.23	.30
Government insured	1,025	1,855	6.80	12.17
Credit card	34	36	.77	.84
Other consumer				
Non government insured	14	18	.06	.08
Government insured	339	337	1.50	1.57
Total	$ 1,491	$ 2,351	.76	1.26

(a) Amounts in table represent recorded investment.

(b) Pursuant to alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, accruing consumer loans past due 30 – 59 days decreased $44 million, accruing consumer loans past due 60 – 89 days decreased $36 million and accruing consumer loans past due 90 days or more decreased $315 million, of which $295 million related to residential real estate government insured loans. As part of this alignment, these loans were moved into nonaccrual status.

On a regular basis our Special Asset Committee closely monitors loans, primarily commercial loans, that are not included in the nonperforming or accruing past due categories and for which we are uncertain about the borrower’s ability to comply with existing repayment terms over the next six months. These loans totaled $.2 billion at both December 31, 2013 and December 31, 2012.

HOME EQUITY LOAN PORTFOLIO

Our home equity loan portfolio totaled $36.4 billion as of December 31, 2013, or 19% of the total loan portfolio. Of that total, $21.7 billion, or 60%, was outstanding under primarily variable-rate home equity lines of credit and $14.7 billion, or 40%, consisted of closed-end home equity installment loans. Approximately 3% of the home equity portfolio was on nonperforming status as of December 31, 2013.

As of December 31, 2013, we are in an originated first lien position for approximately 49% of the total portfolio and, where originated as a second lien, we currently hold or service the first lien position for approximately an additional 2% of the portfolio. Historically, we have originated and sold first lien residential real estate mortgages, which resulted in a low percentage of home equity loans where we hold the first lien mortgage position. The remaining 49% of the portfolio was secured by second liens where we do not hold the first lien position. The credit performance of the majority of the home equity portfolio where we are in, hold or service the first lien position, is superior to the portion of the portfolio where we hold the second lien position but do not hold the first lien.

Lien position information is generally based upon original LTV at the time of origination. However, after origination PNC is not typically notified when a senior lien position that is not held by PNC is satisfied. Therefore, information about the current lien status of junior lien loans is less readily available in cases where PNC does not also hold the senior lien. Additionally, PNC is not typically notified when a junior lien position is added after origination of a PNC first lien. This updated information for both junior and senior liens must be obtained from external sources, and therefore, PNC has contracted with an industry leading third-party service provider to obtain updated loan, lien and collateral data that is aggregated from public and private sources.

We track borrower performance monthly, including obtaining original LTVs, updated FICO scores at least quarterly, updated LTVs semi-annually, and other credit metrics at least quarterly, including the historical performance of any mortgage loans regardless of lien position that we may or may not hold. This information is used for internal reporting and risk management. For internal reporting and risk management we also segment the population into pools based on product type (*e.g.*, home equity loans, brokered home equity loans, home equity lines of credit, brokered home equity lines of credit). As part of our overall risk analysis and monitoring, we segment the home equity portfolio based upon the delinquency, modification status and bankruptcy status of these loans, as well as the delinquency, modification status and bankruptcy status of any mortgage loan with the same borrower (regardless of whether it is a first lien senior to our second lien).

In establishing our ALLL for non-impaired loans, we utilize a delinquency roll-rate methodology for pools of loans. In accordance with accounting principles, under this methodology, we establish our allowance based upon incurred losses and not lifetime expected losses. We also consider the incremental expected losses when home equity lines of credit transition from interest-only products to principal and interest products in establishing our ALLL. The roll-rate methodology estimates transition/roll of loan balances from one delinquency state (*e.g.*, 30-59 days past due) to another delinquency state (*e.g.*, 60-89 days past due) and ultimately to charge-off. The roll through to charge-off is based on PNC's actual loss experience for each type of pool. Since a pool may consist of first and second liens, the charge-off amounts for the pool are proportionate to the composition of first and second liens in the pool. Our experience has been that the ratio of first to second lien loans has been consistent over time and is appropriately represented in our pools used for roll-rate calculations.

Generally, our variable-rate home equity lines of credit have either a seven or ten year draw period, followed by a 20-year amortization term. During the draw period, we have home equity lines of credit where borrowers pay interest only and home equity lines of credit where borrowers pay principal and interest. The risk associated with our home equity lines of credit end of period draw dates is considered in establishing our ALLL. Based upon outstanding balances at December 31, 2013, the following table presents the periods when home equity lines of credit draw periods are scheduled to end.

Table 41: Home Equity Lines of Credit – Draw Period End Dates

In millions	Interest Only Product	Principal and Interest Product
2014	$ 1,768	$ 450
2015	1,829	625
2016	1,521	485
2017	2,738	659
2018	1,206	894
2019 and thereafter	3,848	4,562
Total (a)(b)	$ 12,910	$ 7,675

(a) Includes all home equity lines of credit that mature in 2014 or later, including those with borrowers where we have terminated borrowing privileges.
(b) Includes approximately $185 million, $193 million, $54 million, $63 million, $47 million and $561 million of home equity lines of credit with balloon payments, including those where we have terminated borrowing privileges, with draw periods scheduled to end in 2014, 2015, 2016, 2017, 2018 and 2019 and thereafter, respectively.

We view home equity lines of credit where borrowers are paying principal and interest under the draw period as less risky than those where the borrowers are paying interest only, as these borrowers have a demonstrated ability to make some level of principal and interest payments.

Based upon outstanding balances, and excluding purchased impaired loans, at December 31, 2013, for home equity lines of credit for which the borrower can no longer draw (*e.g.*, draw period has ended or borrowing privileges have been terminated), approximately 3.65% were 30-89 days past due and approximately 5.49% were 90 days or more past due. Generally, when a borrower becomes 60 days past due, we terminate borrowing privileges and those privileges are not subsequently reinstated. At that point, we continue our collection/recovery processes, which may include a loss mitigation loan modification resulting in a loan that is classified as a TDR.

See Note 5 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

LOAN MODIFICATIONS AND TROUBLED DEBT RESTRUCTURINGS

CONSUMER LOAN MODIFICATIONS

We modify loans under government and PNC-developed programs based upon our commitment to help eligible homeowners and borrowers 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, the borrower is then evaluated under a PNC program. Our programs utilize both temporary and permanent modifications and typically reduce the interest rate, extend the term and/or defer principal. Temporary and permanent modifications under programs involving a change to loan terms are generally classified as TDRs. Further, certain payment plans and trial payment arrangements which do not include a contractual change to loan terms may be classified as TDRs. Additional detail on TDRs is discussed below as well as in Note 5 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report.

A temporary modification, with a term between 3 and 24 months, involves a change in original loan terms for a period of time and reverts to a calculated exit rate for the remaining term of the loan as of a specific date. A permanent modification, with a term greater than 24 months, is a modification in which the terms of the original loan are changed. Permanent modifications primarily include the government-created Home Affordable Modification Program (HAMP) or PNC-developed HAMP-like modification programs.

For home equity lines of credit, we will enter into a temporary modification when the borrower has indicated a temporary hardship and a willingness to bring current the delinquent loan balance. Examples of this situation often include delinquency due to illness or death in the family or loss of employment. Permanent modifications are entered into when it is confirmed that the borrower does not possess the income necessary to continue making loan payments at the current amount, but our expectation is that payments at lower amounts can be made.

We also monitor the success rates and delinquency status of our loan modification programs to assess their effectiveness in serving our customers' needs while mitigating credit losses. Table 42 provides the number of accounts and unpaid principal balance of modified consumer real estate related loans and Table 43 provides the number of accounts and unpaid principal balance of modified loans that were 60 days or more past due as of six months, nine months, twelve months and fifteen months after the modification date.

Table 42: Consumer Real Estate Related Loan Modifications

Dollars in millions	December 31, 2013 Number of Accounts	December 31, 2013 Unpaid Principal Balance	December 31, 2012 Number of Accounts	December 31, 2012 Unpaid Principal Balance
Home equity				
Temporary Modifications	6,683	$ 539	9,187	$ 785
Permanent Modifications	11,717	889	7,457	535
Total home equity	18,400	1,428	16,644	1,320
Residential Mortgages				
Permanent Modifications (a)	7,397	1,445	9,151	1,702
Non-Prime Mortgages				
Permanent Modifications	4,400	621	4,449	629
Residential Construction				
Permanent Modifications (a)	2,260	763	1,735	734
Total Consumer Real Estate Related Loan Modifications	32,457	$4,257	31,979	$4,385

(a) Certain unpaid principal balance amounts at December 31, 2012 were updated during the fourth quarter of 2013 to include $151 million of deferred balances previously excluded.

Table 43: Consumer Real Estate Related Loan Modifications Re-Default by Vintage (a) (b)

December 31, 2013 Dollars in thousands	Six Months Number of Accounts Re-defaulted	Six Months % of Vintage Re-defaulted	Nine Months Number of Accounts Re-defaulted	Nine Months % of Vintage Re-defaulted	Twelve Months Number of Accounts Re-defaulted	Twelve Months % of Vintage Re-defaulted	Fifteen Months Number of Accounts Re-defaulted	Fifteen Months % of Vintage Re-defaulted	Unpaid Principal Balance (c)
Permanent Modifications									
Home Equity									
Second Quarter 2013	25	2.0%							$ 2,802
First Quarter 2013	36	2.9	47	3.8%					3,546
Fourth Quarter 2012	38	3.0	50	4.0	63	5.0%			6,157
Third Quarter 2012	46	2.9	73	4.5	97	6.0	110	6.8%	9,452
Second Quarter 2012	35	2.0	59	3.3	73	4.1	93	5.2	5,899
Residential Mortgages									
Second Quarter 2013	136	16.4							24,057
First Quarter 2013	133	16.3	186	22.9					30,918
Fourth Quarter 2012	121	16.5	204	27.9	235	32.1			39,605
Third Quarter 2012	196	20.4	234	24.3	299	31.1	318	33.0	53,296
Second Quarter 2012	149	14.8	259	25.8	267	26.6	294	29.3	40,784
Non-Prime Mortgages									
Second Quarter 2013	25	19.2							4,962
First Quarter 2013	12	14.8	12	14.8					1,735
Fourth Quarter 2012	23	20.2	28	24.6	30	26.3			4,058
Third Quarter 2012	27	19.4	34	24.5	36	25.9	41	29.5	6,391
Second Quarter 2012	34	18.4	51	27.6	59	31.9	68	36.8	7,702
Residential Construction									
Second Quarter 2013	3	1.5							532
First Quarter 2013	2	1.1	6	3.4					1,803
Fourth Quarter 2012	2	1.1	4	2.2	6	3.4			886
Third Quarter 2012	3	1.3	1	0.4	6	2.6	8	3.5	1,390
Second Quarter 2012 (d)	–	–	1	0.8	1	0.8	2	1.7	354
Temporary Modifications									
Home Equity									
Second Quarter 2013	12	15.8%							$ 1,016
First Quarter 2013	2	2.4	9	10.7%					476
Fourth Quarter 2012	4	4.0	13	12.9	17	16.8%			1,113
Third Quarter 2012	17	10.8	23	14.7	33	21.0	33	21.0%	2,439
Second Quarter 2012	28	9.9	34	12.0	45	15.9	54	19.1	4,560

(continued on following page)

(a) An account is considered in re-default if it is 60 days or more delinquent after modification. The data in this table represents loan modifications completed during the quarters ending June 30, 2012 through June 30, 2013 and represents a vintage look at all quarterly accounts and the number of those modified accounts (for each quarterly vintage) 60 days or more delinquent at six, nine, twelve, and fifteen months after modification. Account totals include active and inactive accounts that were delinquent when they achieved inactive status. Accounts that are no longer 60 days or more delinquent, or were re-modified since prior period, are removed from re-default status in the period they are cured or re-modified.
(b) Vintage refers to the quarter in which the modification occurred.
(c) Reflects December 31, 2013 unpaid principal balances of the re-defaulted accounts for the Second Quarter 2013 Vintage at Six Months, for the First Quarter 2013 Vintage at Nine Months, for the Fourth Quarter 2012 Vintage at Twelve Months, and for the Third Quarter 2012 and prior Vintages at Fifteen Months.
(d) There were no Residential Construction modified loans which became six months past due in the third quarter of 2012.

In addition to temporary loan modifications, we may make available to a borrower a payment plan or a HAMP trial payment period. Under a payment plan or a HAMP trial payment period, there is no change to the loan's contractual terms so the borrower remains legally responsible for payment of the loan under its original terms.

Payment plans may include extensions, re-ages and/or forbearance plans. All payment plans bring an account current once certain requirements are achieved and are primarily intended to demonstrate a borrower's renewed willingness and ability to re-pay. Due to the short term nature of the payment plan, there is a minimal impact to the ALLL.

Under a HAMP trial payment period, we establish an alternate payment, generally at an amount less than the contractual payment amount, for the borrower during this short time period. This allows a borrower to demonstrate successful payment performance before permanently restructuring the loan into a HAMP modification. Subsequent to successful borrower performance under the trial payment period, we will capitalize the original contractual amount past due and restructure the loan's contractual terms, along with bringing the restructured account to current. As the borrower is often already delinquent at the time of participation in the HAMP trial payment period, there is not a significant increase in the ALLL. If the trial payment period is unsuccessful, the loan will be evaluated for further action based upon our existing policies.

Residential conforming and certain residential construction loans have been permanently modified under HAMP or, if they do not qualify for a HAMP modification, under PNC-developed programs, which in some cases may operate similarly to HAMP. These programs first require a reduction of the interest rate followed by an extension of term and, if appropriate, deferral of principal payments. As of December 31, 2013 and December 31, 2012, 5,834 accounts with a balance of $.9 billion and 4,188 accounts with a balance of $.6 billion, respectively, of residential real estate loans had been modified under HAMP and were still outstanding on our balance sheet.

We do not re-modify a defaulted modified loan except for subsequent significant life events, as defined by the OCC. A modified loan continues to be classified as a TDR for the remainder of its term regardless of subsequent payment performance.

Commercial Loan Modifications and Payment Plans

Modifications of terms for commercial loans are based on individual facts and circumstances. Commercial loan modifications may involve reduction of the interest rate, extension of the term of the loan and/or forgiveness of principal. Modified commercial loans are usually already nonperforming prior to modification. We evaluate these modifications for TDR classification based upon whether we granted a concession to a borrower experiencing financial difficulties. Additional detail on TDRs is discussed below as well as in Note 5 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Beginning in 2010, we established certain commercial loan modification and payment programs for small business loans, Small Business Administration loans, and investment real estate loans. As of December 31, 2013 and December 31, 2012, $47 million and $68 million, respectively, in loan balances were covered under these modification and payment plan programs. Of these loan balances, $16 million and $24 million have been determined to be TDRs as of December 31, 2013 and December 31, 2012.

TROUBLED DEBT RESTRUCTURINGS

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. For the twelve months ended December 31, 2013, $2.3 billion of loans held for sale, loans accounted for under the fair value option and pooled purchased impaired loans, as well as certain consumer government insured or guaranteed loans, were excluded from the TDR population. The comparable amount for the twelve months ended December 31, 2012 was $3.1 billion.

Table 44: Summary of Troubled Debt Restructurings

In millions	December 31 2013	December 31 2012
Consumer lending:		
Real estate-related	$ 1,939	$ 2,028
Credit card	166	233
Other consumer	56	57
Total consumer lending	2,161	2,318
Total commercial lending	578	541
Total TDRs	$ 2,739	$ 2,859
Nonperforming	$ 1,511	$ 1,589
Accruing (a)	1,062	1,037
Credit card	166	233
Total TDRs	$ 2,739	$ 2,859

(a) Accruing loans have demonstrated a period of at least six months of performance under the restructured terms and are excluded from nonperforming loans. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status.

Total TDRs decreased $120 million, or 4%, during 2013. Nonperforming TDRs totaled $1.5 billion, which represents approximately 49% of total nonperforming loans.

TDRs that are performing (accruing) are excluded from nonperforming loans. Generally, these loans have been returned to performing status as the borrowers are performing under the restructured terms for at least six consecutive months. These TDRs increased $25 million, or 2%, during 2013 to $1.1 billion as of December 31, 2013. This increase reflects the further seasoning and performance of the TDRs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status. See Note 5 Asset Quality in the Notes To Consolidated Financial Statements in this Report for additional information.

ALLOWANCES FOR LOAN AND LEASE LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We recorded $1.1 billion in net charge-offs for 2013, compared to $1.3 billion for 2012. Commercial lending net charge-offs decreased from $359 million in 2012 to $249 million in 2013. Consumer lending net charge-offs decreased from $930 million in 2012 to $828 million in 2013.

Table 45: Loan Charge-Offs And Recoveries

Year ended December 31 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	Percent of Average Loans
2013				
Commercial	$ 395	$ 248	$ 147	.17%
Commercial real estate	203	93	110	.57
Equipment lease financing	8	16	(8)	(.11)
Home equity	486	73	413	1.14
Residential real estate	133	4	129	.86
Credit card	178	22	156	3.75
Other consumer	185	55	130	.60
Total	$ 1,588	$ 511	$ 1,077	.57
2012				
Commercial	$ 474	$ 300	$ 174	.23%
Commercial real estate	314	115	199	1.10
Equipment lease financing	16	30	(14)	(.21)
Home equity	560	61	499	1.41
Residential real estate	110	(1)	111	.72
Credit card	200	26	174	4.26
Other consumer	196	50	146	.72
Total	$ 1,870	$ 581	$ 1,289	.73

For 2013, gross charge-offs were $1.6 billion and net charge-offs to average loans was 0.57%, and included charge-offs of $134 million taken pursuant to alignment with interagency guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013.

In addition, total net charge-offs are 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. See Note 6 Purchased Loans in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on net charge-offs related to these loans.

We maintain an ALLL to absorb losses from the loan and lease portfolio and determine this allowance based on quarterly assessments of the estimated probable credit losses incurred in the loan and lease portfolio. We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolio as of the balance sheet date. The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan and lease portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions are periodically updated.

We establish specific allowances for loans considered impaired using methods prescribed by GAAP. All impaired loans are subject to individual analysis, except leases and large groups of smaller-balance homogeneous loans which may include, but are not limited to, credit card, residential mortgage and consumer installment loans. Specific allowances for individual loans (including commercial and consumer TDRs) are determined based on an analysis of the present value of expected future cash flows from the loans discounted at their effective interest rate, observable market price or the fair value of the underlying collateral.

Reserves allocated to non-impaired commercial loan classes are based on PD and LGD credit risk ratings.

Our commercial pool reserve methodology is sensitive to changes in key risk parameters such as PD and LGD. The results of these parameters are then applied to the loan balance and unfunded loan commitments and letters of credit to determine the amount of the respective reserves. Our PDs and LGDs are primarily determined using internal commercial loan loss data. This internal data is supplemented with third-party data and management judgment, as deemed necessary. We continue to evaluate and enhance our use of internal commercial loss data and will periodically update our PDs and LGDs, as well as consider third-party data, regulatory guidance and management judgment. In general, a given change in any of the major risk parameters will have a corresponding change in the pool reserve allocations for non-impaired commercial loans. To illustrate, if we increase the pool reserve LGD by 5% for all categories of non-impaired commercial loans at December 31, 2013, then the aggregate of the ALLL and allowance for unfunded loan commitments and letters of credit would increase by $73 million.

The majority of the commercial portfolio is secured by collateral, including loans to asset-based lending customers that continue to show demonstrably lower LGD. Further, the large investment grade or equivalent portion of the loan portfolio has performed well and has not been subject to significant deterioration. Additionally, guarantees on loans greater than $1 million and owner guarantees for small business loans do not significantly impact our ALLL.

Allocations to non-impaired consumer loan classes are based upon a roll-rate model which uses statistical relationships, calculated from historical data that estimate the movement of loan outstandings through the various stages of delinquency and ultimately charge-off.

A portion of the ALLL is related to qualitative and measurement factors. These factors may include, but are not limited to, the following:

- Industry concentrations and conditions,
- Recent credit quality trends,
- Recent loss experience in particular portfolios,
- Recent macro-economic factors,
- Model imprecision,
- Changes in lending policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Limitations of available historical data.

Purchased impaired loans are initially recorded at fair value and applicable accounting guidance prohibits the carry over or creation of valuation allowances at acquisition. Because the initial fair values of these loans already reflect a credit component, additional reserves are established when performance is expected to be worse than our expectations as of the acquisition date. At December 31, 2013, we had established reserves of $1.0 billion for purchased impaired loans. In addition, loans (purchased impaired and non-impaired) acquired after January 1, 2009 were recorded at fair value. No allowance for loan losses was carried over and no allowance was created at the date of acquisition. See Note 6 Purchased Loans in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

In addition to the ALLL, 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 maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable losses on these unfunded credit facilities. We determine this amount using estimates of the probability of the ultimate funding and losses related to those credit exposures. Other than the estimation of the probability of funding, this methodology is very similar to the one we use for determining our ALLL.

We refer you to Note 5 Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in Item 8 of this Report for further information on certain key asset quality indicators that we use to evaluate our portfolio and establish the allowances.

Table 46: Allowance for Loan and Lease Losses

Dollars in millions	2013	2012
January 1	$ 4,036	$ 4,347
Total net charge-offs	(1,077)	(1,289)
Provision for credit losses	643	987
Net change in allowance for unfunded loan commitments and letters of credit	8	(10)
Other	(1)	1
December 31	$ 3,609	$ 4,036
Net charge-offs to average loans (for the year ended) (a)	.57%	.73%
Allowance for loan and lease losses to total loans	1.84	2.17
Commercial lending net charge-offs	$ (249)	$ (359)
Consumer lending net charge-offs	(828)	(930)
Total net charge-offs	$(1,077)	$(1,289)
Net charge-offs to average loans (for the year ended)		
Commercial lending	.22%	.35%
Consumer lending (a)	1.07	1.24

(a) Includes charge-offs of $134 million taken pursuant to alignment with interagency guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013.

The provision for credit losses totaled $643 million for 2013 compared to $987 million for 2012. The primary driver of the decrease to the provision was improved overall credit quality, including improved commercial loan risk factors, lower consumer loan delinquencies and improvements in expected cash flows for our purchased impaired loans. For 2013, the provision for commercial lending credit losses decreased by $102 million, or 74%, from 2012. The provision for consumer lending credit losses decreased $242 million, or 29%, from 2012.

At December 31, 2013, total ALLL to total nonperforming loans was 117%. The comparable amount for December 31, 2012 was 124%. These ratios are 72% and 79%, respectively, when excluding the $1.4 billion and $1.5 billion, respectively, of ALLL at December 31, 2013 and December 31, 2012 allocated to consumer loans and lines of credit not secured by residential real estate and purchased impaired loans. We have excluded consumer loans and lines of credit not secured by real estate as they are charged off after 120 to 180 days past due and not placed on nonperforming status. Additionally, we have excluded purchased impaired loans as they are considered performing regardless of their delinquency status as interest is accreted based on our estimate of expected cash flows and additional allowance is recorded when these cash flows are below recorded investment. See Table 35 within this Credit Risk Management section for additional information.

The ALLL balance increases or decreases across periods in relation to fluctuating risk factors, including asset quality trends, charge-offs and changes in aggregate portfolio balances. During 2013, improving asset quality trends, including, but not limited to, delinquency status and improving economic conditions, realization of previously estimated losses through charge-offs, including the impact of alignment with interagency guidance and overall portfolio growth, combined to result in the ALLL balance declining $.4 billion, or 11% to $3.6 billion as of December 31, 2013 compared to December 31, 2012.

See Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit and Note 6 Purchased Loans in the Notes To Consolidated Financial Statements in Item 8 of this Report regarding changes in the ALLL and in the allowance for unfunded loan commitments and letters of credit.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human factors, or external events. This includes losses that may arise as a result of non-compliance with laws or regulations, failure to fulfill fiduciary responsibilities, as well as litigation or other legal actions. Operational risk may occur in any of our business activities and manifests itself in various ways, including but not limited to:

- Transaction processing errors,
- Unauthorized transactions and fraud by employees or third parties,
- Material disruption in business activities,
- System breaches and misuse of sensitive information,
- Regulatory or governmental actions, fines or penalties, and
- Significant legal expenses, judgments or settlements.

PNC's Operational Risk Management is inclusive of Technology Risk Management, Compliance and Business Continuity Risk. Operational Risk Management focuses on balancing business needs, regulatory expectations and risk management priorities through an adaptive and proactive program that is designed to provide a strong governance model, sound and consistent risk management processes and transparent operational risk reporting across the enterprise.

The PNC Board determines the strategic approach to operational risk via establishment of the operational risk appetite and appropriate risk management structure. This includes establishment of risk metrics and limits and a reporting structure to identify, understand and manage operational risks.

Executive Management has responsibility for operational risk management. The executive management team is responsible for monitoring significant risks, key controls and related issues through management reporting and a governance structure of risk committees and sub-committees.

Within Risk Management, Operational Risk Management functions are responsible for developing and maintaining the policies, methodologies, tools, and technology utilized across the enterprise to identify, assess, monitor, and report operational risks, including compliance risk. A key function of Operational Risk Management is to ensure business units' alignment with the Operational Risk Management framework and to independently challenge results and overall program effectiveness.

Business Unit management is responsible for the day-to-day management of operational risks inherent in the products, services, and activities for which they are responsible. Business Unit management is also responsible for adhering to PNC's enterprise-wide operational risk management policies and procedures including regularly identifying, measuring, and monitoring operational risks in their respective areas, as well as capturing, analyzing and reporting operational risk events.

Management of operational risk is based upon a comprehensive framework designed to enable the company to determine the enterprise and individual business unit's operational risk profile in comparison to the established risk appetite and identify operational risks that may require further mitigation. This framework is established around a set of enterprise-wide policies and a system of internal controls that are designed to manage risk and to provide management with timely and accurate information about the operations of PNC. This framework employs a number of techniques to manage operational risk, including:

- RCSAs that are performed at least annually across PNC's businesses, processes, systems and products. RCSA methodology is a standard process for management to document and assess operational risks, evaluate key control design and operating effectiveness, and determine if control enhancements are required,
- A Scenario Analysis program that is leveraged to proactively evaluate operational risks with the potential for severe business, financial, operational or regulatory impact on the company or a major business unit. This methodology leverages standard processes and tools to evaluate a wide range of business and operational risks encompassing both external and internal events relevant to the company. Based upon scenario analysis conclusions, management may implement additional controls or risk management activities to reduce exposure to an acceptable level,
- A KRI framework that allows management to proactively monitor and assess shifts in operational risk exposure or key control effectiveness compared to expectations and thresholds. Enterprise-level KRIs are in place to monitor exposure across the different inherent operational risk types, including compliance risk. Business-specific KRIs are established in support of the individual risk and control self assessments, and
- Operational loss events as well as technology and operational breakdowns that do not result in direct loss (near miss events) across the enterprise are continuously captured and maintained in a central repository. This information is analyzed and used to help determine the root causes of these events and to identify trends that could indicate changes in the company's risk exposure or control effectiveness. PNC utilizes a number of sources to identify external loss events occurring across the financial services industry. These events are evaluated to determine whether PNC is exposed to similar events, and if so, whether appropriate controls are in place.

We continue to refine our methodology to estimate capital requirements for operational risk using a proprietary version of an Advanced Measurement Approach (AMA). Under the AMA approach, the results of the program elements described above are key inputs directly incorporated into the capital calculation methodology.

Risk professionals from Operational Risk, Technology Risk Management, Compliance and Legal work closely with business areas to evaluate risks and challenge that appropriate key controls are established prior to the introduction of new or enhanced products, services and technologies. These risk professionals also challenge Business Units' design and implementation of mitigation strategies to address risks and issues identified through ongoing assessment and monitoring activities.

PNC's Technology Risk Management (TRM) program is aligned with the operational risk framework. Technology risk represents the risk associated with the use, ownership, operation, involvement, influence and adoption of technology within an enterprise. Management of technology risk is embedded into the culture and decision making processes of PNC through an information and technology risk management framework designed to help ensure secure, sound, and compliant IT systems and infrastructure in support of business strategies and goals. The management of technology risk is a core business skill and an integral part of day-to-day activity. Managers and staff at all levels are responsible for applying risk management policies, procedures, and strategies in their areas of responsibility. PNC's TRM function supports enterprise management of technology risk by independently assessing technology and information security risks, and by serving in an oversight role by measuring, monitoring, and challenging enterprise technology capabilities. Specifically, Technology Risk Management has the following objectives:

- A sound control infrastructure is in place to effectively manage technology risks to help drive informed business decisions,
- Technology risks related to ongoing business and operational activities are identified, assessed, and monitored,
- Technology risks related to new key initiatives are assessed and appropriately managed, and
- Emerging technology risks are monitored and assessed to verify their potential impact to PNC's overall risk profile.

Our business continuity risk (BCR) program provides governance and oversight of PNC's enterprise wide business continuity management (BCM) program. BCM manages the organization's capabilities to provide services in the case of an event resulting in material disruption of business activities affecting our people, facilities, technology, or suppliers. The BCM program leads the efforts to identify and mitigate internal and external business disruptive threats to PNC through effective resiliency as well as recovery planning and testing. Prioritization of investments in people, processes, technology and facilities is based on business process criticality, likelihood of events, and business risk. A testing program validates our resiliency and recovery capabilities on an ongoing basis, and an integrated governance model is designed to help assure appropriate management reporting. The BCR function serves as a second line of defense conducting various activities to challenge the policies, processes, and elements of the business continuity program. These activities include performing policy gap analysis as well as conducting quality control risk assessments which provide an independent review of the viability, correctness, and effectiveness of various areas and elements of the BCM program.

Enterprise Compliance is responsible for coordinating the compliance risk component of PNC's Operational Risk framework. Compliance issues are identified and tracked through enterprise-wide monitoring and tracking programs. Key compliance risk issues are escalated through a comprehensive risk reporting process at both a business and enterprise level and incorporated, as appropriate, into the development and assessment of the firm's operational risk profile. The Compliance, Conflicts & Ethics Policy Committee, chaired by the Chief Compliance Officer, provides oversight for compliance, conflicts and ethics programs and strategies across PNC. This committee also oversees the compliance processes related to fiduciary and investment risk. In order to help understand, and where appropriate, proactively address emerging regulatory issues, Enterprise Compliance communicates regularly with various regulators with supervisory or regulatory responsibilities with respect to PNC, its subsidiaries or businesses and participates in forums focused on regulatory and compliance matters in the financial services industry.

PNC monitors and manages insurable risks through a combination of risk mitigation, retention and transfer consistent with the organization's risk philosophy. PNC uses insurance where appropriate to mitigate the effects of operational risk events. PNC self-insures select risks through its wholly-owned captive insurance company Alpine Indemnity Limited.

Insurance decisions and activities are led by PNC's Corporate Insurance Group. The alignment of Corporate Insurance within the enterprise risk management governance structure facilitates increased cross-functional integration and engagement, and is a primary governance strategy. Management holds regular meetings with the lines of business regarding risk evaluation and the utilization of insurance as a risk transfer technique. Furthermore, Corporate Insurance management and the Insurance Risk Committee have primary oversight of reporting insurance related activities through a governance structure that allows management to fully vet risk information.

PNC, through a subsidiary company, Alpine Indemnity Limited, provides insurance coverage for select corporate programs. PNC's risks associated with its participation as an insurer for these programs are mitigated through policy limits and annual aggregate limits. Decisions surrounding PNC's retention of its operating risks through deductibles or captive participation are made in conjunction with the Insurance Risk Committee.

On a quarterly basis, an enterprise operational risk report is developed to report key operational risks to senior management and the Board of Directors. The report encompasses key operational risk management conclusions, including the overall operational risk level, risk management effectiveness and outlook, grounded in quantitative measures and qualitative factors. Key enterprise operational risks are also included in the enterprise risk report. In addition, operational risk is an integrated part of the quarterly business-specific risk reports.

Model Risk Management

PNC relies on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, grading and granting loans, measuring interest rate risks and other market risks, predicting losses, and assessing capital adequacy, as well as to estimate the value of financial instruments and balance sheet items. There are risks involved in the use of models as they have the potential to provide inaccurate output or results, could be used for purposes other than those for which they have been designed, or may be operated in an uncontrolled environment where unauthorized changes can take place and where other control risks exist.

The Model Risk Management Group is responsible for policies and procedures describing how model risk is evaluated and managed, and the application of the governance process to implement these practices throughout the enterprise. The Model Risk Management Committee, a subcommittee of the Enterprise Risk Management Committee, oversees all aspects of model risk, including PNC's compliance with regulatory requirements, and approves exceptions to policy when appropriate.

To better manage our business, our practices around the use of models, and to comply with regulatory guidance and requirements, we have policies and procedures in place that define our governance processes for assessing and controlling model risk. These processes focus on identifying, reporting and remediating any problems with the soundness, accuracy, improper use or operating environment of our models. We recognize that models must be monitored over time to ensure their continued accuracy and functioning, and our policies also address the type and frequency of monitoring that is appropriate according to the importance of each model.

There are a number of practices we undertake to identify and control model risk. A primary consideration is that models be well understood by those who use them as well as by other parties. Our policies require detailed written model documentation for significant models to assist in making their use transparent and understood by users, independent reviewers, and regulatory and auditing bodies. The documentation must include details on the data and methods used to develop each model, assumptions utilized within the model, an assessment of model performance and a description of model limitations and circumstances in which a model should not be relied upon.

Our modeling methods and data are reviewed by independent model reviewers not involved in the development of the model to identify possible errors or areas where the soundness of the model could be in question. Issues identified by the independent reviewer are tracked and reported using our existing governance structure until the issue has been fully remediated.

It is important that models operate in a controlled environment where access to code or the ability to make changes is limited to those who are authorized. Additionally, proper back-up and recovery mechanisms are needed for the ongoing functioning of models. Our use of independent model control reviewers aids in the evaluation of the existing control mechanisms to help ensure that controls are appropriate and are functioning properly.

LIQUIDITY RISK MANAGEMENT

Liquidity risk has two fundamental components. The first is potential loss assuming 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 consolidated company level (bank, parent company, and nonbank subsidiaries combined) 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.

Management monitors liquidity through a series of early warning indicators that may indicate a potential market, or PNC-specific, liquidity stress event. In addition, management performs a set of liquidity stress tests over multiple time horizons with varying levels of severity and maintains a contingency funding plan to address a potential stress event.

In the most severe liquidity stress simulation, we assume that PNC's liquidity position is under pressure, while the market in general is under systemic pressure. The simulation considers, among other things, the impact of restricted access to both secured and unsecured external sources of funding, accelerated run-off of customer deposits, valuation pressure on assets and heavy demand to fund contingent obligations. Risk limits are established within our Enterprise Capital and Liquidity Management Policy. Management's Asset and Liability Committee and the Board of Directors' Risk Committee regularly review 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 and Liquidity Management Policy. Management's Asset and Liability Committee and the Board of Directors' Risk Committee regularly review 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. As of December 31, 2013, there were approximately $11.1 billion of bank borrowings with contractual maturities of less than one year. We also maintain adequate bank liquidity to meet future potential loan demand and provide for other business needs, as necessary. See the Bank Level Liquidity – Sources section below.

On March 15, 2013 we redeemed $375 million of REIT preferred securities issued by PNC Preferred Funding Trust III with a current distribution rate of 8.7%.

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. Total deposits increased to $220.9 billion at December 31, 2013 from $213.1 billion at December 31, 2012, primarily driven by growth in transactions deposits, partially offset by lower retail certificates of deposit. Assets determined by PNC to be liquid (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 December 31, 2013, our liquid assets consisted of short-term investments (Federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $17.2 billion and securities available for sale totaling $48.6 billion. Of our total liquid assets of $65.8 billion, we had $18.8 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 balance sheet management activities.

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

In 2004, PNC Bank, N.A. was authorized by its Board to offer up to $20 billion in senior and subordinated unsecured debt obligations with maturities of more than nine months. Through December 31, 2013, PNC Bank, N.A. had issued $18.9 billion of debt under this program including the following during 2013:

- $750 million of fixed rate senior notes with a maturity date of January 28, 2016. Interest is payable semi-annually, at a fixed rate of .80%, on January 28 and July 28 of each year, beginning on July 28, 2013,
- $250 million of floating rate senior notes with a maturity date of January 28, 2016. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .31%, on January 28, April 28, July 28, and October 28 of each year, beginning on April 28, 2013,
- $750 million of subordinated notes with a maturity date of January 30, 2023. Interest is payable semi-annually, at a fixed rate of 2.950%, on January 30 and July 30 of each year, beginning on July 30, 2013,
- $1.4 billion of senior extendible floating rate bank notes issued to an affiliate with an initial maturity date of April 14, 2014, subject to the holder’s monthly option to extend, and a final maturity date of January 14, 2015. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .225%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on March 14, June 14, September 14, and December 14 of each year, beginning on June 14, 2013,
- $645 million of floating rate senior notes with a maturity date of April 29, 2016. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .32% on January 29, April 29, July 29 and October 29 of each year, beginning on July 29, 2013,
- $800 million of senior extendible floating rate bank notes with an initial maturity date of July 18, 2014, subject to the holder’s monthly option to extend, and a final maturity date of June 18, 2015. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .225%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on March 20, June 20, September 20 and December 20 of each year, beginning on September 20, 2013,
- $750 million of subordinated notes with a maturity date of July 25, 2023. Interest is payable semi-annually, at a fixed rate of 3.80% on January 25 and July 25 of each year, beginning on January 25, 2014,
- $750 million of fixed rate senior notes with a maturity date of October 3, 2016. Interest is payable semi-annually, at a fixed rate of 1.30% on April 3 and October 3 of each year, beginning on April 3, 2014,
- $500 million of senior extendible floating rate bank notes issued to an affiliate with an initial maturity date of October 12, 2014, subject to the holder’s monthly option to extend, and a final maturity date of September 12, 2015. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .225%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on March 12, June 12, September 12 and December 12 of each year, beginning on December 12, 2013,
- $750 million of fixed rate senior notes with a maturity date of November 1, 2016. Interest is payable semi-annually, at a fixed rate of 1.15% on May 1 and November 1 of each year, beginning on May 1, 2014,
- $500 million of subordinated notes with a maturity date of November 1, 2025. Interest is payable semi-annually, at a fixed rate of 4.20% on May 1 and November 1 of each year, beginning on May 1, 2014, and
- $600 million of senior extendible floating rate bank notes issued to an affiliate with an initial maturity date of December 7, 2014, subject to the holder’s monthly option to extend, and a final maturity date of November 7, 2015. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .330%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on February 7, May 7, August 7 and November 7 of each year, beginning on February 7, 2014.

Total senior and subordinated debt of PNC Bank, N.A. increased to $14.6 billion at December 31, 2013 from $9.3 billion at December 31, 2012 primarily due to $8.4 billion in new borrowing less $2.9 billion in calls and maturities.

On January 16, 2014, PNC Bank, N.A. established a new bank note program under which it may from time to time offer up to $25 billion aggregate principal amount at any one time outstanding of its unsecured senior and subordinated notes due more than nine months from their date of issue (in the case of senior notes) and due five years or more from their date of issue (in the case of subordinated notes). The $25 billion of notes authorized to be issued and outstanding at any one time includes notes issued by PNC Bank, N.A. prior to January 16, 2014 and those notes PNC Bank, N.A. has acquired through the acquisition of other banks, in each case for so long as such notes remain outstanding. The terms of the new program do not affect any of the bank notes issued prior to January 16, 2014.

See Note 27 Subsequent Events in the Notes To Consolidated Financial Statements in Item 8 of this Report for information on the issuance of senior notes of $750 million and $1.0 billion on January 28, 2014.

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 loans, other mortgage-related loans and commercial mortgage-backed securities. At December 31, 2013, our unused secured borrowing capacity was $9.2 billion with FHLB-Pittsburgh. Total FHLB borrowings increased to $12.9 billion at December 31, 2013 from $9.4 billion at December 31, 2012 due to $16.4 billion of new issuances offset by $12.9 billion in calls and maturities. The FHLB-Pittsburgh also periodically provides standby letters of credit on behalf of PNC Bank, N.A. to secure certain public deposits. PNC Bank, N.A. began using standby letters of credit issued by the FHLB-Pittsburgh in response to anticipated regulatory changes to strengthen the liquidity requirements for large banks. If the FHLB-Pittsburgh is required to make payment for a beneficiary's draw, the payment amount is converted into a collateralized advance to PNC Bank, N.A. At December 31, 2013, standby letters of credit issued on our behalf by the FHLB-Pittsburgh totaled $6.2 billion. There were no standby letters of credit issued on our behalf by the FHLB-Pittsburgh at December 31, 2012.

PNC Bank, N.A. has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of December 31, 2013, there was $5.0 billion outstanding under this program. During the fourth quarter of 2013, PNC finalized the wind down of Market Street Funding LLC ("Market Street"), a multi-seller asset-backed commercial paper conduit administered by PNC Bank, N.A. As part of the wind down process, the commitments and outstanding loans of Market Street were assigned to PNC Bank, N.A., which will fund these commitments and loans by utilizing its diversified funding sources. In conjunction with the assignment of commitments and loans the associated liquidity facilities were terminated along with the program-level credit enhancement provided to Market Street. At December 31, 2013, Market Street's commercial paper was repaid in full. The wind down did not have a material impact to PNC's financial condition or results of operation.

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 Bank, 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 commercial loans. At December 31, 2013, our unused secured borrowing capacity was $19.5 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. As of December 31, 2013, there were approximately $1.4 billion of parent company borrowings with maturities of less than one year.

Additionally, the parent company maintains adequate liquidity to fund discretionary activities such as paying dividends to PNC shareholders, share repurchases, and acquisitions. See the Parent Company Liquidity – Sources section below.

See Supervision and Regulation in Item 1 of this Report for information regarding the Federal Reserve's CCAR process, including its impact on our ability to take certain capital actions, including plans to pay or increase common stock dividends, reinstate or increase common stock repurchase programs, or redeem preferred stock or other regulatory capital instruments, as well as for information on new qualitative and quantitative liquidity risk management standards proposed by the U.S. banking agencies.

During 2013, the parent company used cash for the following:

- On March 14, 2013, we used $1.4 billion of parent company cash to purchase senior extendible floating rate bank notes issued by PNC Bank, N.A,
- On March 19, 2013, PNC announced the redemption completed on April 19, 2013 of depositary shares representing interests in PNC's 9.875% Fixed-To-Floating Rate Non-Cumulative Preferred Stock, Series L. Each depositary share represents a 1/4,000th interest in a share of the Series L Preferred Stock. All 6,000,000 depositary shares outstanding were redeemed, as well as all 1,500 shares of Series L Preferred Stock underlying such depositary shares, resulting in a net outflow of $150 million,
- On April 23, 2013, we completed the redemption of the $15 million of trust preferred securities issued by Yardville Capital Trust VI, originally called on March 22, 2013,
- On May 23, 2013, we completed the redemption of the $30 million of trust preferred securities issued by Fidelity Capital Trust III, originally called on April 8, 2013,

- On June 17, 2013, we completed the redemption of the following trust preferred securities originally called on May 1, 2013:
  - $15 million issued by Sterling Financial Statutory Trust III,
  - $15 million issued by Sterling Financial Statutory Trust IV,
  - $20 million issued by Sterling Financial Statutory Trust V,
  - $30 million issued by MAF Bancorp Capital Trust I, and
  - $8 million issued by James Monroe Statutory Trust III.
- On July 23, 2013, we completed the redemption of the $22 million of trust preferred securities issued by Fidelity Capital Trust II, originally called on June 7, 2013,
- On September 12, 2013, we used $500 million of parent company cash to purchase senior extendible floating rate bank notes issued by PNC Bank, N.A,
- On September 16, 2013, we completed the redemption of the $35 million of trust preferred securities issued by MAF Bancorp Capital Trust II, originally called on August 1, 2013, and
- On November 7, 2013, we used $600 million of parent company cash to purchase senior extendible floating rate bank notes issued by PNC Bank, N.A.

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.

There are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank, N.A. to the parent company without prior regulatory approval was approximately $1.4 billion at December 31, 2013. See Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for a further discussion of these limitations. We provide additional information on certain contractual restrictions in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report.

In addition to dividends from PNC Bank, N.A., other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. As of December 31, 2013, the parent company had approximately $6.5 billion in funds available from its cash and investments.

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 instruments, in public or private markets and commercial paper. We have an effective shelf registration statement pursuant to which we can issue additional debt, equity and other capital instruments. Total senior and subordinated debt and hybrid capital instruments decreased to $10.7 billion at December 31, 2013 from $11.5 billion at December 31, 2012.

During 2013, we issued the following securities under our shelf registration statement:

- On May 7, 2013, we issued 500,000 depositary shares, each representing a 1/100th interest in a share of our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series R, in an underwritten public offering resulting in gross proceeds of $500 million to us before commissions and expenses. Dividends are payable when, as, and if declared by our Board of Directors, or an authorized committee of our Board, semi-annually on June 1 and December 1 of each year, beginning on December 1, 2013 and ending on June 1, 2023, at a rate of 4.850%. From and including June 1, 2023, such dividends will be payable quarterly on March 1, June 1, September 1 and December 1 of each year beginning on September 1, 2023 at a rate of 3-month LIBOR plus 3.04% per annum. The Series R Preferred Stock is redeemable at our option on or after June 1, 2023 and at our option within 90 days of a regulatory capital treatment event as defined in the designations.

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 December 31, 2013, there were no issuances outstanding under this program.

Note 19 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report describes the 16,885,192 warrants we have outstanding, each to purchase one share of PNC common stock at an exercise price of $67.33 per share. These warrants were sold by the U.S. Treasury in a secondary public offering in May 2010 after the U.S. Treasury exchanged its TARP Warrant. These warrants will expire December 31, 2018.

STATUS OF CREDIT RATINGS

The cost and availability of short-term and long-term funding, as well as collateral requirements for certain derivative instruments, is influenced by PNC's 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

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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.

Table 47: Credit Ratings as of December 31, 2013 for PNC and PNC Bank, N.A.

	Moody's	Standard & Poor's	Fitch
The PNC Financial Services Group, Inc.			
Senior debt	A3	A-	A+
Subordinated debt	Baa1	BBB+	A
Preferred stock	Baa3	BBB	BBB-
PNC Bank, N.A.			
Subordinated debt	A3	A-	A
Long-term deposits	A2	A	AA-
Short-term deposits	P-1	A-1	F1+

COMMITMENTS

The following tables set forth contractual obligations and various other commitments as of December 31, 2013 representing required and potential cash outflows.

Table 48: Contractual Obligations

		Payment Due By Period			
December 31, 2013 – in millions	Total	Less than one year	One to three years	Four to five years	After five years
Remaining contractual maturities of time deposits (a)	$23,466	$16,378	$ 3,808	$ 690	$ 2,590
Borrowed funds (a) (b)	46,105	18,454	13,774	5,130	8,747
Minimum annual rentals on noncancellable leases	2,658	389	627	472	1,170
Nonqualified pension and postretirement benefits	534	58	113	111	252
Purchase obligations (c)	768	430	272	40	26
Total contractual cash obligations	$73,531	$35,709	$18,594	$ 6,443	$12,785

(a) Includes purchase accounting adjustments.
(b) Includes basis adjustment relating to accounting hedges.
(c) Includes purchase obligations for goods and services covered by noncancellable contracts and contracts including cancellation fees.

At December 31, 2013, we had a liability for unrecognized tax benefits of $110 million, which represents a reserve for 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 21 Income Taxes in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Our contractual obligations totaled $71.1 billion at December 31, 2012. The increase in the comparison is primarily attributable to an increase in borrowed funds partially offset by the decline of time deposits. See Funding and Capital Sources in the Consolidated Balance Sheet Review section of this Item 7 for additional information regarding our funding sources.

Table 49: Other Commitments (a)

		Amount Of Commitment Expiration By Period			
December 31, 2013 – in millions	Total Amounts Committed	Less than one year	One to three years	Four to five years	After five years
Net unfunded credit commitments	$129,870	$51,581	$43,949	$33,753	$ 587
Net outstanding standby letters of credit (b)	10,521	4,459	4,930	1,123	9
Reinsurance agreements (c)	5,335	2,708	33	32	2,562
Other commitments (d)	1,034	763	225	43	3
Total commitments	$146,760	$59,511	$49,137	$34,951	$ 3,161

(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 syndications, assignments and participations.
(b) Includes $6.6 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. Balances represent estimates based on availability of financial information.
(d) Includes unfunded commitments related to private equity investments of $164 million that are not on our Consolidated Balance Sheet. Also includes commitments related to tax credit investments of $802 million and other direct equity investments of $68 million that are included in Other liabilities on our Consolidated Balance Sheet.

Our total commitments totaled $138.8 billion at December 31, 2012. The increase in the comparison is primarily due to an increase in net unfunded credit commitments partially offset by the decline of net outstanding standby letters of credit.

Market Risk Management

Market risk is the risk of a loss in earnings or economic value due to adverse movements in market factors such as interest rates, credit spreads, foreign exchange rates and equity prices. We are exposed to market risk primarily by our involvement in the following activities, among others:

- Traditional banking activities of taking deposits and extending loans,
- Equity and other investments and activities whose economic values are directly impacted by market factors, and
- Fixed income securities, derivatives and foreign exchange activities, as a result of customer activities and underwriting.

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

Market Risk Management – Interest Rate Risk

Interest rate risk results primarily from our traditional banking activities of gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences, affect the difference between the interest that we earn on assets and the interest that we pay on liabilities and the level of our noninterest-bearing funding sources. Due to the repricing term mismatches and embedded options inherent in certain of these products, changes in market interest rates not only affect expected near-term earnings, but also the economic values of these assets and liabilities.

Asset and Liability Management centrally manages interest rate risk as prescribed in our risk management policies, which are approved by management's Asset and Liability Committee and the Risk Committee of the Board.

Sensitivity results and market interest rate benchmarks for the fourth quarters of 2013 and 2012 follow:

Table 50: Interest Sensitivity Analysis

	Fourth Quarter 2013	Fourth Quarter 2012
Net Interest Income Sensitivity Simulation		
Effect on net interest income in first year from gradual interest rate change over following 12 months of:		
100 basis point increase	2.2%	2.0%
100 basis point decrease (a)	(.9)%	(1.3)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	7.4%	6.8%
100 basis point decrease (a)	(3.8)%	(4.8)%
Duration of Equity Model (a)		
Base case duration of equity (in years)	(1.2)	(7.3)
Key Period-End Interest Rates		
One-month LIBOR	.17%	.21%
Three-year swap	.88%	.50%

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

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. The following Net Interest Income Sensitivity to Alternative Rate Scenarios (Fourth Quarter 2013) 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) Yield Curve Slope Flattening (a 100 basis point yield curve slope flattening between 1-month and ten-year rates superimposed on current base rates) scenario.

Table 51: Net Interest Income Sensitivity to Alternative Rate Scenarios (Fourth Quarter 2013)

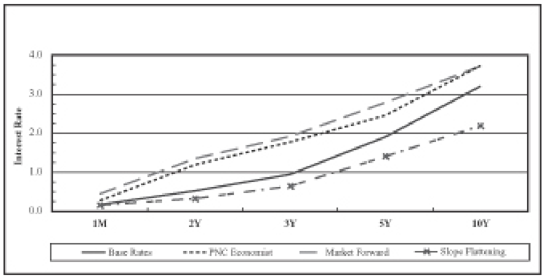
	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	.2%	.7%	(.7)%
Second year sensitivity	2.8%	4.0%	(3.4)%

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

Table 52: Alternate Interest Rate Scenarios: One Year Forward



The fourth quarter 2013 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. 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 – CUSTOMER-RELATED TRADING RISK

We engage in fixed income securities, derivatives and foreign exchange transactions to support our customers' investing and hedging activities. These transactions, related hedges and the credit valuation adjustment (CVA) related to our customer derivatives portfolio are marked-to-market on a daily basis and reported as customer-related trading activities. We do not engage in proprietary trading of these products.

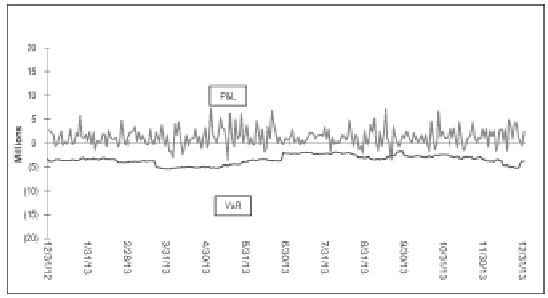
We use value-at-risk (VaR) as the primary means to measure and monitor market risk in customer-related trading activities. We calculate a diversified VaR at a 95% confidence interval. VaR is used to estimate the probability of portfolio losses based on the statistical analysis of historical market risk factors. A diversified VaR reflects empirical correlations across different asset classes.

During 2013, our 95% VaR ranged between $1.7 million and $5.5 million, averaging $3.5 million. During 2012, our 95% VaR ranged between $1.1 million and $5.3 million, averaging $3.2 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 gains or losses against the VaR levels that were calculated at the close of the prior day. This assumes that market exposures remain constant throughout the day and that recent historical market variability is a good predictor of future variability. Our customer-related trading activity includes customer revenue and intraday hedging which helps to reduce losses, and may reduce the number of instances of actual losses exceeding the prior day VaR measure. There was one such instance during 2013 under our diversified VaR measure where actual losses exceeded the prior day VaR measure. In comparison, there were two such instances during 2012. We use a 500 day look back period for backtesting and include customer-related revenue.

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

Table 53: Enterprise-Wide Gains/Losses Versus Value-at-Risk



Total customer-related trading revenue was as follows:

Table 54: Customer-Related Trading Revenue

Year ended December 31 In millions	2013	2012
Net interest income	$ 31	$ 38
Noninterest income	286	272
Total customer-related trading revenue	$317	$310
Securities underwriting and trading (a)	$ 78	$100
Foreign exchange	94	92
Financial derivatives and other	145	118
Total customer-related trading revenue	$317	$310

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

Customer-related trading revenues for 2013 increased $7 million compared with 2012. The increase primarily resulted from the impact of higher market interest rates on credit valuations for customer-related derivatives activities and improved debt underwriting results which were partially offset by reduced client sales revenue.

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

The primary risk measurement for equity and other investments is economic capital. Economic capital is a common measure of risk for credit, market and operational risk. It is an estimate of the potential value depreciation over a one year horizon commensurate with solvency expectations of an institution rated single-A by the credit rating agencies. Given the illiquid nature of many of these types of investments, it can be a challenge to determine their fair values. See Note 9 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

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

A summary of our equity investments follows:

Table 55: Equity Investments Summary

In millions	December 31 2013	December 31 2012
BlackRock	$ 5,940	$ 5,614
Tax credit investments	2,676	2,965
Private equity	1,656	1,802
Visa	158	251
Other	234	245
Total	$ 10,664	$ 10,877

BLACKROCK

PNC owned approximately 36 million common stock equivalent shares of BlackRock equity at December 31, 2013, accounted for under the equity method. The primary risk measurement, similar to other equity investments, is economic capital. The Business Segments Review section of this Item 7 includes additional information about BlackRock.

TAX CREDIT INVESTMENTS

Included in our equity investments are tax credit investments which are accounted for under the equity method. These investments, as well as equity investments held by consolidated partnerships, totaled $2.7 billion at December 31, 2013 and $3.0 billion at December 31, 2012. These equity investment balances include unfunded commitments totaling $802 million and $685 million at December 31, 2013 and December 31, 2012, respectively. These unfunded commitments are included in Other Liabilities on our Consolidated Balance Sheet.

Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Item 8 of this Report has further information on Tax Credit Investments. See also the Critical Accounting Estimates And Judgments section of this Item 7 regarding ASU 2014-01 and our intention to early adopt this guidance in the first quarter of 2014.

PRIVATE EQUITY

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

Private equity investments carried at estimated fair value totaled $1.7 billion at December 31, 2013 and $1.8 billion at December 31, 2012. As of December 31, 2013, $1.1 billion was invested directly in a variety of companies and $.6 billion 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 $236 million as of December 31, 2013. The interests held in indirect private equity funds are not redeemable, but PNC may receive distributions over the life of the partnership from liquidation of the underlying investments. See Item 1 Business – Supervision and Regulation and Item 1A Risk Factors of this Report for discussion of the potential impacts of the Volcker Rule provisions of Dodd-Frank on our interests in and sponsorship of private funds covered by the Volcker Rule.

Our unfunded commitments related to private equity totaled $164 million at December 31, 2013 compared with $182 million at December 31, 2012.

VISA

During 2013, we sold 4 million of Visa Class B common shares, in addition to the 9 million shares sold in 2012, and entered into swap agreements with the purchaser of the shares. See Note 9 Fair Value and Note 17 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information. At December 31, 2013, our investment in Visa Class B common shares totaled approximately 10 million shares and was recorded at $158 million. Based on the December 31, 2013 closing price of $222.68 for the Visa Class A common shares, the fair value of our total investment was approximately $971 million at the current conversion rate, which reflects adjustments in respect of all litigation funding by Visa to date. The Visa Class B common shares that we own are transferable only under limited circumstances (including those applicable to the sales in 2013 and 2012) until they can be converted into shares of the publicly traded class of stock, which cannot happen until the settlement of certain specified litigation. It is expected that Visa will continue to adjust the conversion rate of Visa Class B common shares to Class A common shares in connection with any settlements of the specified litigation in excess of any amounts then in escrow for that purpose and will also reduce the conversion rate to the extent that it adds any funds to the escrow in the future.

Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report has additional information regarding the October 2007 Visa restructuring, our involvement with judgment and loss sharing agreements with Visa and certain other banks, and the status of pending interchange litigation. See also Note 27 Subsequent Events in the Notes To Consolidated Financial Statements in Item 8 of this Report for detail on our sale of 1 million Visa Class B common shares in January 2014.

OTHER INVESTMENTS

We also make investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. The economic values could be driven by either the fixed-income market or the equity markets, or both. At December 31, 2013, other investments totaled $234 million compared with $245 million at December 31, 2012. We recognized net gains related to these investments of $39 million during 2013, compared with $55 million during 2012.

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 were immaterial at both December 31, 2013 and December 31, 2012.

See the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors for additional information on the potential impact of the Volcker Rule on PNC's investments in and relationships with private funds that are covered by that rule, as well as PNC's ability to maximize the value of its investments in such funds.

IMPACT OF INFLATION

Our assets and liabilities are primarily financial in nature and typically have varying maturity dates. Accordingly, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. However, during periods of inflation, there may be a subsequent impact affecting certain fixed costs or expenses, an erosion of consumer and customer purchasing power, and fluctuations in the need or demand for our products and services. Should significant levels of inflation occur, our business could potentially be impacted by, among other things, reducing our tolerance for extending credit or causing us to incur additional credit losses resulting from possible increased default rates.

FINANCIAL DERIVATIVES

We use a variety of financial derivatives as part of the overall asset and liability risk management process to help manage exposure to 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. We also enter into derivatives with customers to facilitate their risk management activities.

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, Note 9 Fair Value and Note 17 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 8 of 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 derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market changes, among other reasons.

The following table summarizes the notional or contractual amounts and net fair value of financial derivatives at December 31, 2013 and December 31, 2012.

Table 56: Financial Derivatives Summary

	December 31, 2013		December 31, 2012	
In millions	Notional/ Contractual Amount	Net Fair Value (a)	Notional/ Contractual Amount	Net Fair Value (a)
Derivatives designated as hedging instruments under GAAP				
Total derivatives designated as hedging instruments	$ 36,197	$ 825	$ 29,270	$1,720
Derivatives not designated as hedging instruments under GAAP				
Total derivatives used for residential mortgage banking activities	$119,679	$ 330	$166,819	$ 588
Total derivatives used for commercial mortgage banking activities	53,149	(12)	4,606	(23)
Total derivatives used for customer-related activities	169,534	138	163,848	30
Total derivatives used for other risk management activities	2,697	(422)	1,813	(357)
Total derivatives not designated as hedging instruments	$345,059	$ 34	$337,086	$ 238
Total Derivatives	$381,256	$ 859	$366,356	$1,958

(a) Represents the net fair value of assets and liabilities.

2012 VERSUS 2011

CONSOLIDATED INCOME STATEMENT REVIEW

Summary Results

Net income for 2012 was $3.0 billion, or $5.30 per diluted common share, compared with $3.1 billion, or $5.64 per diluted common share, for 2011. Revenue growth of 8% and a decline in the provision for credit losses were more than offset by a 16% increase in noninterest expense in 2012 compared to 2011.

Net Interest Income

Net interest income increased to $9.6 billion in 2012 compared with $8.7 billion in 2011, primarily due to the impact of the RBC Bank (USA) acquisition, organic loan growth and lower funding costs.

The net interest margin remained relatively flat at 3.94% in 2012 compared with 3.92% in 2011. The modest increase in the comparison was primarily due to a decrease in the weighted-average rate paid on total interest-bearing liabilities, primarily due to the runoff of maturing retail certificates of deposit and the redemption of additional trust preferred and hybrid capital securities during 2012, in addition to an increase in FHLB borrowings and commercial paper as lower-cost funding sources. This impact was mostly offset by a decrease in the yield on total interest-earning assets, which reflected lower rates on new loan volume and lower yields on new securities.

Noninterest Income

Noninterest income increased to $5.9 billion in 2012 compared with $5.6 billion in 2011. The overall increase in the comparison was primarily due to an increase in residential mortgage loan sales revenue driven by higher loan origination volume, gains on sales of Visa Class B common shares and higher corporate service fees, largely offset by higher provision for residential mortgage repurchase obligations. Noninterest income as a percentage of total revenue was 38% in 2012 compared with 39% in 2011.

Asset management revenue increased to $1.2 billion in 2012 compared with $1.1 billion in 2011, primarily due to higher earnings from our BlackRock investment. Discretionary assets under management increased to $112 billion at December 31, 2012 compared with $107 billion at December 31, 2011 driven by stronger average equity markets, positive net flows, after adjustments to total net flows for cyclical client activities, and strong sales performance.

Consumer services fees declined to $1.1 billion compared with $1.2 billion in 2011. The decline reflected the regulatory impact of lower interchange fees on debit card transactions partially offset by customer growth. As further discussed in the Retail Banking portion of the Business Segments Review section of Item 7 in our 2012 Form 10-K, the Dodd-Frank limits on interchange rates were effective October 1, 2011 and had a negative impact on revenue of approximately $314 million in 2012 and $75 million in 2011. This impact was partially offset by higher volumes of merchant, customer credit card and debit card transactions and the impact of the RBC Bank (USA) acquisition.

Corporate services revenue increased by $.3 billion, or 30%, to $1.2 billion in 2012 compared with $.9 billion in 2011 due to higher commercial mortgage servicing revenue and higher merger and acquisition advisory fees in 2012. The comparison also reflected the impact of valuation gains from rising interest rates on commercial mortgage servicing rights valuations, which were $31 million in 2012 compared to a loss of $152 million in 2011.

Residential mortgage revenue decreased to $284 million in 2012 from $713 million in 2011. This decrease of $429 million was largely due to a higher provision for residential mortgage repurchase obligations of $761 million in 2012 compared with $102 million in 2011, partially offset by an increase in loan sales revenue driven by higher loan origination volume.

The higher provision for residential mortgage repurchase obligations in 2012 reflected expected further elevated levels of repurchase demands primarily as a result of changes in behaviors and demand patterns of two government-sponsored enterprises, FHLMC and FNMA, for loans sold into Agency securitizations. The recorded liability for residential mortgage indemnification and repurchase claims was $614 million at December 31, 2012. See the Recourse And Repurchase Obligations section of this Item 7 and in Item 7 in our 2012 Form 10-K for more detail.

Service charges on deposits grew to $573 million in 2012 compared with $534 million in 2011. This increase reflected continued success in growing customers, including through the RBC Bank (USA) acquisition.

Net gains on sales of securities totaled $204 million for 2012 and $249 million for 2011. The net credit component of other-than-temporary impairment (OTTI) of securities recognized in earnings was $111 million in 2012 compared with $152 million for 2011.

Other noninterest income increased by $.4 billion, to $1.5 billion for 2012 compared with 2011. This increase was primarily due to $267 million of gains on sales of approximately 9 million Visa Class B common shares during the third and fourth quarters of 2012, as well as higher revenue associated with private equity investments. We held approximately 14.4 million Visa Class B common shares with an estimated fair value of approximately $916 million as of December 31, 2012. Our recorded investment in those remaining shares was approximately $251 million at December 31, 2012. The impacts to other noninterest income from credit valuations for customer-related derivatives activities were not significant in both 2012 and 2011.

Provision For Credit Losses

The provision for credit losses totaled $1.0 billion for 2012, a decrease of $.2 billion, or 14%, compared with $1.2 billion for 2011. The decline in the comparison was driven by overall credit quality improvement.

Noninterest Expense

Noninterest expense was $10.6 billion for 2012 and $9.1 billion for 2011. Noninterest expense for 2012 included noncash charges of $295 million related to redemption of trust preferred securities, integration costs of $267 million, $225 million of residential mortgage foreclosure-related expenses, and a noncash charge of $45 million for residential mortgage banking goodwill impairment. Noninterest expense for 2011 included $324 million of residential mortgage foreclosure-related expenses, $198 million of noncash charges related to redemption of trust preferred securities and $42 million of integration costs. The increase in noninterest expense in 2012 compared with 2011 also reflected operating expense for the RBC Bank (USA) acquisition, higher personnel expense, higher settlements for other litigation and increased expenses for other real estate owned.

Effective Income Tax Rate

The effective income tax rate was 23.9% in 2012 compared with 24.5% in 2011. The effective tax rate is generally lower than the statutory rate primarily due to tax credits PNC receives from our investments in low income housing partnerships and other tax exempt investments.

CONSOLIDATED BALANCE SHEET REVIEW

Loans

Loans increased $26.9 billion to $185.9 billion as of December 31, 2012 compared with December 31, 2011. On March 2, 2012, our RBC Bank (USA) acquisition added $14.5 billion of loans, which included $6.3 billion of commercial, $2.7 billion of commercial real estate, $3.3 billion of consumer (including $3.0 billion of home equity loans and $.3 billion of credit card loans), $2.1 billion of residential real estate, and $.1 billion of equipment lease financing loans. Excluding acquisition activity, the increase in commercial loans was due to growth primarily in asset-based lending, real estate, healthcare, and public finance loans while the growth in consumer loans was primarily driven by organic growth in automobile loans and the acquisition of an indirect automobile loan portfolio in the third quarter of 2012, partially offset by lower education loans. In addition, excluding acquisition activity, residential real estate loans declined due to continued run-off.

Average total loans increased by $24.6 billion to $176.6 billion for 2012 compared with 2011, primarily due to increases in average commercial loans of $17.2 billion and in average consumer loans of $5.1 billion. Loans added from the RBC Bank (USA) acquisition contributed to the increase. In addition, average commercial loans increased from organic loan growth primarily in corporate banking, real estate and asset-based lending and average consumer loans increased due to growth in indirect auto loans. Loans represented 71% of average interest-earning assets for 2012 compared to 68% for 2011.

The total loan balance above included purchased impaired loans of $7.4 billion, or 4% of total loans, at December 31, 2012 and $6.7 billion, or 4% of total loans, at December 31, 2011.

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Loans represented 61% of total assets at December 31, 2012 and 59% of total assets at December 31, 2011. Commercial lending represented 59% of the loan portfolio at December 31, 2012 and 56% at December 31, 2011. Consumer lending represented 41% of the loan portfolio at December 31, 2012 and 44% at December 31, 2011. Commercial real estate loans represented 6% of total assets at both December 31, 2012 and December 31, 2011.

Investment Securities
The carrying amount of investment securities totaled $61.4 billion at December 31, 2012 compared to $60.6 billion at December 31, 2011. The increase primarily reflected an increase of $2.0 billion in available for sale asset-backed securities, which was primarily due to net purchase activity, and an increase of $.6 billion in available for sale non-agency residential mortgage-backed securities due to increases in fair value at December 31, 2012. These increases were partially offset by a $1.7 billion decrease in held to maturity debt securities due to principal payments. Investment securities represented 20% of total assets at December 31, 2012 and 22% at December 31, 2011. Average investment securities increased $1.1 billion to $60.8 billion in 2012 compared with 2011. Total investment securities comprised 24% of average interest-earning assets for 2012 and 27% for 2011.

At December 31, 2012, the securities available for sale portfolio included a net unrealized gain of $1.6 billion, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2011 was a net unrealized loss of $41 million. As of December 31, 2012, the amortized cost and fair value of held to maturity securities were $10.4 billion and $10.9 billion, respectively, compared to $12.1 billion and $12.5 billion, respectively, at December 31, 2011. The weighted-average expected maturity of the investment securities portfolio (excluding corporate stocks and other) was 4.0 years at December 31, 2012 and 3.7 years at December 31, 2011.

Loans Held For Sale
Loans held for sale totaled $3.7 billion at December 31, 2012 compared with $2.9 billion at December 31, 2011.

For commercial mortgages held for sale designated at fair value, we stopped originating these and have pursued opportunities to reduce these positions. At December 31, 2012, the balance relating to these loans was $772 million, compared to $843 million at December 31, 2011. For commercial mortgages held for sale at lower of cost or fair value, we sold $2.2 billion during 2012 compared with $2.4 billion in 2011. The increase in these loans to $620 million at December 31, 2012, compared to $451 million at December 31, 2011, was due to an increase in loans awaiting sale to government agencies. We recognized total net gains of $41 million in 2012 and $48 million in 2011 on the valuation and sale of commercial mortgage loans held for sale, net of hedges.

Residential mortgage loan origination volume was $15.2 billion in 2012 compared with $11.4 billion in 2011. Substantially all such loans were originated under agency or FHA standards. We sold $13.8 billion of loans and recognized related gains of $747 million during 2012. The comparable amounts for 2011 were $11.9 billion and $384 million, respectively.

Asset Quality
Overall credit quality continued to improve during 2012. Nonperforming loans declined $.3 billion, or 9%, to $3.3 billion as of December 31, 2012 from December 31, 2011. Overall loan delinquencies decreased $.8 billion, or 18%, to $3.7 billion at December 31, 2012 compared to the prior year end. Net charge-offs decreased to $1.3 billion in 2012, a decrease of $.3 billion, or 21%, compared to 2011.

The ALLL was $4.0 billion, or 2.17% of total loans and 124% of nonperforming loans, as of December 31, 2012, compared to $4.3 billion, or 2.73% of total loans and 122% of nonperforming loans, as of December 31, 2011.

At December 31, 2012, our largest nonperforming asset was $38 million in the Real Estate Rental and Leasing Industry and our average nonperforming loan associated with commercial lending was under $1 million.

Goodwill and Other Intangible Assets
Goodwill and other intangible assets totaled $10.9 billion at December 31, 2012 and $10.1 billion at December 31, 2011. During 2012, we recorded goodwill of $950 million and other intangible assets of $180 million associated with the RBC Bank (USA) acquisition. In the fourth quarter of 2012, we sold certain deposits and assets of the Smartstreet business unit, which was acquired by PNC as part of the RBC Bank (USA) acquisition, which resulted in a reduction of goodwill and core deposit intangibles by approximately $46 million and $13 million, respectively. Also in the fourth quarter of 2012, we recorded a $45 million noncash charge for goodwill impairment related to PNC's Residential Mortgage Banking reporting unit. See Note 2 Acquisition and Divestiture Activity and Note 10 Goodwill and Other Intangible Assets in the Notes To Consolidated Financial Statements included in Item 8 of this Report and in our 2012 Form 10-K.

Funding Sources
Total funding sources were $254.0 billion at December 31, 2012 and $224.7 billion at December 31, 2011.

Total deposits increased $25.2 billion, or 13%, at December 31, 2012 to $213.1 billion compared to December 31, 2011. On March 2, 2012, our RBC Bank (USA) acquisition added $18.1 billion of deposits, including $6.9 billion of money market, $6.7 billion of demand, $4.1 billion of retail certificates of deposit, and $.4 billion of savings. Excluding acquisition activity, money market and demand deposits increased during 2012, partially offset by the runoff of maturing retail certificates of deposit.

Interest-bearing deposits represented 67% of total deposits at December 31, 2012 compared to 69% at December 31, 2011.

Average total deposits increased by $18.5 billion to $201.6 billion in 2012 compared with 2011. This increase primarily resulted from an increase in average transaction deposits of $23.9 billion partially offset by a decrease of $7.4 billion in retail certificates of deposit attributable to runoff of maturing accounts. Growth in average noninterest-bearing deposits, average money market deposits and average interest-bearing demand deposits drove the increase in transaction deposits, which resulted from deposits added in the RBC Bank (USA) acquisition and organic growth. Average total deposits represented 68% of average total assets for 2012 and 69% for 2011.

Total borrowed funds increased $4.2 billion from December 31, 2011 to $40.9 billion at December 31, 2012, due to increases in Federal funds purchased and repurchase agreements, FHLB borrowings and commercial paper net issuances, partially offset by net repayments and maturities of bank notes and senior debt and a reduction in subordinated debt due to redemptions of trust preferred securities and hybrid capital securities.

Average borrowed funds increased to $41.8 billion for 2012 compared with $35.7 billion for 2011. An increase in commercial paper and net issuances of FHLB borrowings during 2012 drove the increase compared with 2011.

Shareholders' Equity

Total shareholders' equity increased $5.0 billion to $39.0 billion at December 31, 2012 compared with December 31, 2011 and included the impact of the following:

- An increase of $2.0 billion to retained earnings,
- The issuance of $2.0 billion of preferred stock during 2012, which contributed to the increase in capital surplus – preferred stock to $3.6 billion at December 31, 2012 compared to $1.6 billion at December 31, 2011, and
- A $.9 billion increase in accumulated other comprehensive income primarily due to higher net unrealized gains on securities, partially offset by lower unrealized gains on cash flow hedge derivatives.

Risk-Based Capital

Regulatory capital ratios at December 31, 2012 were 9.6% for Tier 1 common, 10.4% for leverage, 11.6% for Tier 1 risk-based and 14.7% for total risk-based capital. At December 31, 2011, the regulatory capital ratios were 10.3% for Tier 1 common, 11.1% for leverage, 12.6% for Tier 1 risk-based and 15.8% for total risk-based capital. The decline in these ratios was primarily due to the RBC Bank (USA) acquisition, which resulted in higher goodwill and risk-weighted assets, partially offset by retention of earnings which more than offset organic asset growth. Our Tier 1 risk-based capital ratio reflected our 2012 capital actions of issuing approximately $2.0 billion of preferred stock and redeeming approximately $2.3 billion of trust preferred securities and hybrid capital securities.

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.

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

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

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

Basel I 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 Basel I Tier 1 risk-based capital purposes.

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

Basel I Total risk-based capital – Basel I Tier 1 risk-based capital plus qualifying subordinated debt and trust preferred securities, other noncontrolling interests not qualified as Basel I Tier 1, eligible gains on available for sale equity securities and the allowance for loan and lease losses, subject to certain limitations.

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

Basis point – One hundredth of a percentage point.

Carrying value of purchased impaired loans – The net value on the balance sheet which represents the recorded investment less any valuation allowance.

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 from portfolio holdings 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.

Combined loan-to-value ratio (CLTV) – This is the aggregate principal balance(s) of the mortgages on a property divided by its appraised value or purchase price.

Commercial mortgage banking activities – Includes commercial mortgage servicing, originating commercial mortgages for sale and related hedging activities. Commercial mortgage banking activities revenue includes revenue derived from commercial mortgage servicing (including net interest income and noninterest income from loan servicing and ancillary services, net of commercial mortgage servicing rights amortization, and commercial mortgage servicing rights valuations net of economic hedge), 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).

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.

Core net interest income – Core net interest income is total net interest income less purchase accounting accretion.

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.

Credit valuation adjustment (CVA) – Represents an adjustment to the fair value of our derivatives for our own and counterparties' non-performance risk.

Derivatives – Financial contracts whose value is derived from changes in 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 increases 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.

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 total revenue.

Enterprise risk management framework – An enterprise process designed to identify potential risks that may affect PNC, manage risk to be within our risk appetite and provide reasonable assurance regarding achievement of our objectives.

Fair value – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FICO score – A credit bureau-based industry standard score created by Fair Isaac Co. which predicts the likelihood of borrower default. We use FICO scores both in underwriting and assessing credit risk in our consumer lending portfolio. Lower FICO scores indicate likely higher risk of default, while higher FICO scores indicate likely lower risk of default. FICO scores are updated on a periodic basis.

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.

Home price index (HPI) – A broad measure of the movement of single-family house prices in the U.S.

Impaired loans – Loans are determined to be impaired when, based on current information and events, it is probable that all contractually required payments will not be collected. Impaired loans include commercial nonperforming loans and consumer and commercial TDRs, regardless of nonperforming status. Excluded from impaired loans are nonperforming leases, loans held for sale, loans accounted for under the fair value option, smaller balance homogenous type loans and purchased impaired loans.

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 difference between the price, if any, required to be paid for stock issued pursuant to an equity compensation arrangement and the fair market value of the underlying stock.

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

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. PNC's product set includes loans priced using LIBOR as a benchmark.

Loan-to-value ratio (LTV) – A calculation of a loan's collateral coverage that is used both in underwriting and assessing credit risk in our lending portfolio. LTV is the sum total of loan obligations secured by collateral divided by the market value of that same collateral. Market values of the collateral are based on an independent valuation of the collateral. For example, a LTV of less than 90% is better secured and has less credit risk than a LTV of greater than or equal to 90%.

Loss given default (LGD) – An estimate of loss, net of recovery based on collateral type, collateral value, loan exposure, or the guarantor(s) quality and guaranty type (full or partial). Each loan has its own LGD. The LGD risk rating measures the percentage of exposure of a specific credit obligation that we expect to lose if default occurs. LGD is net of recovery, through either liquidation of collateral or deficiency judgments rendered from foreclosure or bankruptcy proceedings.

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.

Nonaccrual loans – Loans for which we do not accrue interest income. Nonaccrual loans include nonperforming loans, in addition to loans accounted for under fair value option and loans accounted for as held for sale for which full collection of contractual principal and/or interest is not probable.

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

Nonperforming assets – Nonperforming assets include nonperforming loans and OREO and foreclosed assets, but exclude certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest, loans held for sale, loans accounted for under the fair value option and purchased impaired loans. We do not accrue interest income on assets classified as nonperforming.

Nonperforming loans – Loans accounted for at amortized cost for which we do not accrue interest income. Nonperforming loans include loans to commercial, commercial real estate, equipment lease financing, home equity, residential real estate, credit card and other consumer customers as well as TDRs which have not returned to performing status. Nonperforming loans exclude certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest, loans held for sale, loans accounted for under the fair value option and purchased impaired loans. Nonperforming loans exclude 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 derivative 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 real estate owned (OREO) and foreclosed assets – Assets taken in settlement of troubled loans primarily through deed-in-lieu of foreclosure or foreclosure. Foreclosed assets include real and personal property, equity interests in corporations, partnerships, and limited liability companies.

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.

Parent company liquidity coverage – Liquid assets divided by funding obligations within a two year period.

Pretax earnings – Income before income taxes and noncontrolling interests.

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

Primary client relationship – A corporate banking client relationship with annual revenue generation of $10,000 to $50,000 or more, and for Asset Management Group, a client relationship with annual revenue generation of $10,000 or more.

Probability of default (PD) – An internal risk rating that indicates the likelihood that a credit obligor will enter into default status.

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. Accretion for purchased impaired loans includes any cash recoveries received in excess of the recorded investment.

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 (purchased impaired loans) – 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.

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 securities and 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 attributable to common shareholders divided by average common shareholders' equity.

Risk – The potential that an event or series of events could occur that would threaten PNC's ability to achieve its strategic objectives, thereby negatively affecting shareholder value or reputation.

Risk appetite – A dynamic, forward-looking view on the aggregate amount of risk PNC is willing and able to take in executing business strategy in light of the current business environment.

Risk limits – Quantitative measures based on forward looking assumptions that allocate the firm's aggregate risk appetite (*e.g.* measure of loss or negative events) to business lines, legal entities, specific risk categories, concentrations and as appropriate, other levels.

Risk profile – The risk profile is a point-in-time assessment of risk. The profile represents overall risk position in relation to the desired risk appetite. The determination of the risk profile's position is based on qualitative and quantitative analysis of reported risk limits, metrics, operating guidelines and qualitative assessments.

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.

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.

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

Troubled debt restructuring (TDR) – A loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

Value-at-risk (VaR) – A statistically-based measure of risk that describes the amount of potential loss which may be incurred due to adverse market movements. The measure is of the maximum loss which should not be exceeded on 95 out of 100 days for a 95% VaR.

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 for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting PNC and its future business and operations 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," "see," "look," "intend," "outlook," "project," "forecast," "estimate," "goal," "will," "should" 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 made. We do not assume any duty and do not undertake to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

Our forward-looking statements are subject to the following principal risks and uncertainties.

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:
  - Changes in interest rates and valuations in debt, equity and other financial markets.
  - Disruptions in the liquidity and other functioning of U.S. and global financial markets.
  - The impact on financial markets and the economy of any changes in the credit ratings of U.S. Treasury obligations and other U.S. government-backed debt, as well as issues surrounding the levels of U.S. and European government debt and concerns regarding the creditworthiness of certain sovereign governments, supranationals and financial institutions in Europe.
  - Actions by the Federal Reserve, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.
  - Changes in customers', suppliers' and other counterparties' performance and creditworthiness.
  - Slowing or reversal of the current U.S. economic expansion.
  - Continued residual effects of recessionary conditions and uneven spread of positive impacts of recovery on the economy and our counterparties, including adverse impacts on levels of unemployment, loan utilization rates, delinquencies, defaults and counterparty ability to meet credit and other obligations.
  - Changes in customer preferences and behavior, whether due to changing business and economic conditions, legislative and regulatory initiatives, or other factors.
- Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than we are currently expecting. These statements are based on our current view that the U.S. economic expansion will speed up to a trend growth rate near 2.5 percent in 2014 as drags from Federal fiscal restraint subside and that short-term interest rates will remain very low and bond yields will rise only slowly in 2014. These forward-looking statements also do not, unless otherwise indicated, take into account the impact of potential legal and regulatory contingencies.
- PNC's ability to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or issue or redeem preferred stock or other regulatory capital instruments, is subject to the review of such proposed actions by the Federal Reserve as part of PNC's comprehensive capital plan for the applicable period in connection with the regulators' Comprehensive Capital Analysis and Review (CCAR) process and to the acceptance of such capital plan and non-objection to such capital actions by the Federal Reserve.
- PNC's regulatory capital ratios in the future will depend on, among other things, the company's financial performance, the scope and terms of final capital regulations then in effect (particularly those implementing the Basel Capital Accords), and management actions affecting the composition of PNC's balance sheet. In addition, PNC's ability to determine, evaluate and forecast regulatory capital ratios, and to take actions (such as capital distributions) based on actual or forecasted capital ratios, will be dependent on the ongoing development, validation and regulatory approval of related models.
- Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:
  - Changes resulting from legislative and regulatory reforms, including major reform of the regulatory oversight structure of the financial services industry and changes to laws and regulations involving tax, pension, bankruptcy, consumer protection, and other industry aspects, and changes in accounting policies and

principles. We will be impacted by extensive reforms provided for in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and otherwise growing out of the most recent financial crisis, the precise nature, extent and timing of which, and their impact on us, remains uncertain.
  - Changes to regulations governing bank capital and liquidity standards, including due to the Dodd-Frank Act and to Basel-related initiatives.
  - 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 include proceedings, claims, investigations, or inquiries relating to pre-acquisition business and activities of acquired companies, such as National City. These matters may result in monetary judgments or settlements or other remedies, including fines, penalties, restitution or alterations in our business practices, and in additional expenses and collateral costs, and may cause reputational harm to PNC.
  - Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.
  - Impact on business and operating results of any costs associated with obtaining rights in intellectual property claimed by others and of adequacy of our intellectual property protection in general.
- Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital and liquidity standards. In particular, our results currently depend on our ability to manage elevated levels of impaired assets.
- Business and operating results also include impacts relating to our equity interest in BlackRock, Inc. and rely to a significant extent on information provided to us by BlackRock. Risks and uncertainties that could affect BlackRock are discussed in more detail by BlackRock in its SEC filings.
- We grow our business in part by acquiring from time to time other financial services companies, financial services assets and related deposits and other liabilities. Acquisition risks and uncertainties include those presented by the nature of the business acquired, including in some cases those associated with our entry into new businesses or new geographic or other markets and risks resulting from our inexperience in those new areas, as well as risks and uncertainties related to the acquisition transactions themselves, regulatory issues, and the integration of the acquired businesses into PNC after closing.
- Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Industry restructuring in the current environment could also impact our business and financial performance through changes in counterparty creditworthiness and performance and in the competitive and regulatory landscape. Our ability to anticipate and respond to technological changes can also impact our ability to respond to customer needs and meet competitive demands.
- Business and operating results can also be affected by widespread natural and other disasters, dislocations, terrorist activities, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically.

We provide greater detail regarding these as well as other factors elsewhere in this Report, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments and Guarantees Notes of the Notes To Consolidated Financial Statements in this Report. 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.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in the Risk Management section of Item 7 and in Note 1 Accounting Policies, Note 9 Fair Value, and Note 17 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 8 of this Report.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, of changes in equity, and of cash flows present fairly, in all material respects, the financial position of The PNC Financial Services Group, Inc. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 28, 2014

CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except per share data	Year ended December 31 2013	2012	2011
Interest Income			
Loans	$ 7,866	$ 8,284	$ 7,595
Investment securities	1,749	2,035	2,161
Other	392	415	438
Total interest income	10,007	10,734	10,194
Interest Expense			
Deposits	344	386	668
Borrowed funds	516	708	826
Total interest expense	860	1,094	1,494
Net interest income	9,147	9,640	8,700
Noninterest Income			
Asset management	1,342	1,169	1,088
Consumer services	1,253	1,136	1,243
Corporate services	1,210	1,166	898
Residential mortgage	871	284	713
Service charges on deposits	597	573	534
Net gains on sales of securities	99	204	249
Other-than-temporary impairments	(14)	(79)	(420)
Less: Noncredit portion of other-than-temporary impairments (a)	2	32	(268)
Net other-than-temporary impairments	(16)	(111)	(152)
Other	1,509	1,451	1,053
Total noninterest income	6,865	5,872	5,626
Total revenue	16,012	15,512	14,326
Provision For Credit Losses	643	987	1,152
Noninterest Expense			
Personnel	4,743	4,617	3,966
Occupancy	833	827	738
Equipment	763	735	661
Marketing	246	279	249
Other	3,216	4,124	3,491
Total noninterest expense	9,801	10,582	9,105
Income before income taxes and noncontrolling interests	5,568	3,943	4,069
Income taxes	1,341	942	998
Net income	4,227	3,001	3,071
Less: Net income (loss) attributable to noncontrolling interests	7	(12)	15
Preferred stock dividends	237	177	56
Preferred stock discount accretion and redemptions	12	4	2
Net income attributable to common shareholders	$ 3,971	$ 2,832	$ 2,998
Earnings Per Common Share			
Basic	$ 7.48	$ 5.36	$ 5.70
Diluted	$ 7.39	$ 5.30	$ 5.64
Average Common Shares Outstanding			
Basic	528	526	524
Diluted	532	529	526

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

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE PNC FINANCIAL SERVICES GROUP, INC.

	Year ended December 31		
In millions	2013	2012	2011
Net income	$ 4,227	$3,001	$3,071
Other comprehensive income (loss), before tax and net of reclassifications into Net income:			
Net unrealized gains (losses) on non-OTTI securities	(1,211)	760	948
Net unrealized gains (losses) on OTTI securities	231	971	(145)
Net unrealized gains (losses) on cash flow hedge derivatives	(527)	(220)	307
Pension and other postretirement benefit plan adjustments	852	(35)	(593)
Other	21	10	(4)
Other comprehensive income (loss), before tax and net of reclassifications into Net income	(634)	1,486	513
Income tax expense related to items of other comprehensive income	236	(547)	(187)
Other comprehensive income (loss), after tax and net of reclassifications into Net income	(398)	939	326
Comprehensive income	3,829	3,940	3,397
Less: Comprehensive income (loss) attributable to noncontrolling interests	7	(12)	15
Comprehensive income attributable to PNC	$ 3,822	$3,952	$3,382

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except par value	December 31 2013	December 31 2012
Assets		
Cash and due from banks (includes $5 and $4 for VIEs) (a)	$ 4,043	$ 5,220
Federal funds sold and resale agreements (includes $207 and $256 measured at fair value) (b)	1,986	1,463
Trading securities	3,073	2,096
Interest-earning deposits with banks (includes $7 and $6 for VIEs) (a)	12,135	3,984
Loans held for sale (includes $1,901 and $2,868 measured at fair value) (b)	2,255	3,693
Investment securities (includes $0 and $9 for VIEs) (a)	60,294	61,406
Loans (includes $1,736 and $7,781 for VIEs) (a) (includes $1,025 and $244 measured at fair value) (b)	195,613	185,856
Allowance for loan and lease losses (includes $(58) and $(75) for VIEs) (a)	(3,609)	(4,036)
Net loans	192,004	181,820
Goodwill	9,074	9,072
Other intangible assets	2,216	1,797
Equity investments (includes $582 and $1,429 for VIEs) (a)	10,664	10,877
Other (includes $591 and $1,281 for VIEs) (a) (includes $338 and $319 measured at fair value) (b)	22,552	23,679
Total assets	$ 320,296	$ 305,107
Liabilities		
Deposits		
Noninterest-bearing	$ 70,306	$ 69,980
Interest-bearing	150,625	143,162
Total deposits	220,931	213,142
Borrowed funds		
Federal funds purchased and repurchase agreements	4,289	3,327
Federal Home Loan Bank borrowings	12,912	9,437
Bank notes and senior debt	12,603	10,429
Subordinated debt	8,244	7,299
Commercial paper (includes $0 and $6,045 for VIEs) (a)	4,997	8,453
Other (includes $414 and $257 for VIEs) (a) (includes $184 and $0 measured at fair value) (b)	3,060	1,962
Total borrowed funds	46,105	40,907
Allowance for unfunded loan commitments and letters of credit	242	250
Accrued expenses (includes $83 and $132 for VIEs) (a)	4,734	4,449
Other (includes $252 and $976 for VIEs) (a)	4,187	4,594
Total liabilities	276,199	263,342
Equity		
Preferred stock (c)		
Common stock ($5 par value, authorized 800 shares, issued 540 and 538 shares)	2,698	2,690
Capital surplus – preferred stock	3,941	3,590
Capital surplus – common stock and other	12,416	12,193
Retained earnings	23,325	20,265
Accumulated other comprehensive income	436	834
Common stock held in treasury at cost: 7 and 10 shares	(408)	(569)
Total shareholders' equity	42,408	39,003
Noncontrolling interests	1,689	2,762
Total equity	44,097	41,765
Total liabilities and equity	$ 320,296	$ 305,107

(a) Amounts represent the assets or liabilities of consolidated variable interest entities (VIEs).
(b) Amounts represent items for which we have 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 CHANGES IN EQUITY

THE PNC FINANCIAL SERVICES GROUP, INC.

		Shareholders' Equity							
In millions	Shares Outstanding Common Stock	Common Stock	Capital Surplus - Preferred Stock	Capital Surplus - Common Stock and Other	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at December 31, 2010 (a)	526	$2,682	$ 647	$12,057	$15,859	$ (431)	$ (572)	$ 2,596	$32,838
Net income					3,056			15	3,071
Other comprehensive income (loss), net of tax						326			326
Cash dividends declared									
Common					(604)				(604)
Preferred					(56)				(56)
Preferred stock discount accretion			2		(2)				
Common stock activity	1	1		10					11
Treasury stock activity (b)				(36)			85		49
Preferred stock issuance – Series O (c)			988						988
Other				41				582	623
Balance at December 31, 2011 (a)	527	$2,683	$1,637	$12,072	$18,253	$ (105)	$ (487)	$ 3,193	$37,246
Net income (loss)					3,013			(12)	3,001
Other comprehensive income (loss), net of tax						939			939
Cash dividends declared									
Common					(820)				(820)
Preferred					(177)				(177)
Preferred stock discount accretion			4		(4)				
Common stock activity	1	7		45					52
Treasury stock activity (b)				51			(82)		(31)
Preferred stock issuance – Series P (d)			1,482						1,482
Preferred stock issuance – Series Q (e)			467						467
Other				25				(419)	(394)
Balance at December 31, 2012 (a) (f)	528	$2,690	$3,590	$12,193	$20,265	$ 834	$ (569)	$ 2,762	$41,765
Net income					4,220			7	4,227
Other comprehensive income (loss), net of tax						(398)			(398)
Cash dividends declared									
Common					(911)				(911)
Preferred					(237)				(237)
Preferred stock discount accretion			5		(5)				
Redemption of noncontrolling interests (g)					(7)			(368)	(375)
Common stock activity	2	8		97					105
Treasury stock activity	3			(47)			161		114
Preferred stock redemption – Series L (h)			(150)						(150)
Preferred stock issuance – Series R (i)			496						496
Other (j)				173				(712)	(539)
Balance at December 31, 2013 (a)	533	$2,698	$3,941	$12,416	$23,325	$ 436	$ (408)	$ 1,689	$44,097

(a) The par value of our preferred stock outstanding was less than $.5 million at each date and, therefore, is excluded from this presentation.
(b) Net treasury stock activity totaled less than .5 million shares issued or redeemed.
(c) 10,000 Series O preferred shares with a $1 par value were issued on July 20, 2011.
(d) 15,000 Series P preferred shares with a $1 par value were issued on April 24, 2012.
(e) 4,500 Series Q preferred shares with a $1 par value were issued on September 21, 2012 and 300 shares were issued on October 9, 2012.
(f) 5,001 Series M preferred shares with a $1 par value were issued and redeemed on December 10, 2012.
(g) Relates to the redemption of REIT preferred securities in the first quarter of 2013. See Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities for additional information.
(h) 1,500 Series L preferred shares with a $1 par value were redeemed on April 19, 2013.
(i) 5,000 Series R preferred shares with a $1 par value were issued on May 7, 2013.
(j) Includes an impact to noncontrolling interests for deconsolidation of limited partnership or non-managing member interests related to tax credit investments in the amount of $675 million during the second quarter of 2013. See Note 3 Loan Sale and Servicing Activities and Variable Interest Entities for additional information.

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions	Year ended December 31 2013	2012	2011
Operating Activities			
Net income	$ 4,227	$ 3,001	$ 3,071
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Provision for credit losses	643	987	1,152
Depreciation and amortization	1,146	1,159	1,140
Deferred income taxes	1,207	570	840
Net gains on sales of securities	(99)	(204)	(249)
Net other-than-temporary impairments	16	111	152
Charge for goodwill impairment		45	
Mortgage servicing rights valuation adjustment	(261)	284	726
Gain on sales of Visa Class B common shares	(168)	(267)	
Noncash charges on trust preferred securities redemption	57	295	198
Undistributed earnings of BlackRock	(373)	(302)	(262)
Excess tax benefits from share-based payment arrangements	(23)	(18)	(2)
Net change in			
Trading securities and other short-term investments	(455)	1,350	330
Loans held for sale	(94)	(1,125)	77
Other assets	3,954	1,928	(4,142)
Accrued expenses and other liabilities	(4,001)	(697)	3,330
Other	(221)	(308)	(328)
Net cash provided (used) by operating activities	5,555	6,809	6,033
Investing Activities			
Sales			
Securities available for sale	7,974	9,358	20,533
Loans	2,559	1,611	1,770
Repayments/maturities			
Securities available for sale	9,668	9,195	6,074
Securities held to maturity	2,483	3,174	2,859
Purchases			
Securities available for sale	(18,419)	(17,164)	(25,551)
Securities held to maturity	(1,883)	(1,479)	(1,607)
Loans	(1,975)	(1,796)	(2,401)
Net change in			
Federal funds sold and resale agreements	(530)	732	1,487
Interest-earning deposits with banks	(8,151)	(2,526)	441
Loans	(10,790)	(14,333)	(10,224)
Net cash paid for (received from) acquisition and divestiture activity		(4,130)	430
Purchases of corporate and bank owned life insurance			(200)
Other (a)	129	97	(160)
Net cash provided (used) by investing activities	(18,935)	(17,261)	(6,549)

(continued on following page)

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CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.
(continued from previous page)

In millions Unaudited	Year ended December 31 2013	 2012	 2011
Financing Activities			
Net change in			
Noninterest-bearing deposits	$ 341	$ 7,149	$ 8,909
Interest-bearing deposits	7,463	902	(4,863)
Federal funds purchased and repurchase agreements	965	(2)	(1,151)
Federal Home Loan Bank borrowings		(1,000)	1,000
Commercial paper	(5,607)	4,762	227
Other borrowed funds	221	(279)	(789)
Sales/issuances			
Federal Home Loan Bank borrowings	16,435	13,000	1,000
Bank notes and senior debt	3,938	2,093	1,244
Subordinated debt	1,986	995	
Commercial paper	12,595	16,480	9,565
Other borrowed funds	695	1,011	460
Preferred stock	496	2,449	988
Common and treasury stock	244	158	72
Repayments/maturities			
Federal Home Loan Bank borrowings	(12,960)	(10,500)	(1,076)
Bank notes and senior debt	(1,420)	(4,037)	(2,612)
Subordinated debt	(731)	(1,769)	(1,942)
Commercial paper	(10,444)	(17,060)	(8,236)
Other borrowed funds	(340)	(1,090)	(741)
Preferred stock	(150)		
Excess tax benefits from share-based payment arrangements	23	18	2
Redemption of noncontrolling interests	(375)	(500)	
Acquisition of treasury stock	(24)	(216)	(73)
Preferred stock cash dividends paid	(237)	(177)	(56)
Common stock cash dividends paid	(911)	(820)	(604)
Net cash provided (used) by financing activities	12,203	11,567	1,324
Net Increase (Decrease) In Cash And Due From Banks	(1,177)	1,115	808
Cash and due from banks at beginning of period	5,220	4,105	3,297
Cash and due from banks at end of period	$ 4,043	$ 5,220	$ 4,105
Supplemental Disclosures			
Interest paid	$ 891	$ 1,208	$ 1,517
Income taxes paid	234	39	842
Income taxes refunded	3	16	41
Non-cash Investing and Financing Items			
Transfer from (to) loans to (from) loans held for sale, net	(119)	665	926
Transfer from loans to foreclosed assets	703	1,042	822
Exchange of junior subordinated debentures for senior notes		500	

(a) Includes the impact of the consolidation of a variable interest entity as of March 31, 2013.

See accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, as well as other products and services in PNC's primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina. 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 (GAAP). We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the 2013 presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations. We evaluate the materiality of identified errors in the financial statements using both an income statement and a balance sheet approach, based on relevant quantitative and qualitative factors. The financial statements include certain adjustments to correct immaterial errors related to previously reported periods.

We have also considered the impact of subsequent events on these consolidated financial statements.

USE OF ESTIMATES

We prepared these consolidated financial statements using financial information available at the time of preparation, which requires us to make estimates and assumptions that affect the amounts reported. Our most significant estimates pertain to our fair value measurements, allowances for loan and lease losses and unfunded loan commitments and letters of credit, and accretion on purchased impaired loans. 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 and Series B Preferred Stock of BlackRock (deemed to be in-substance common stock) under the equity method of accounting. The investment in BlackRock is reflected on our Consolidated Balance Sheet in Equity investments, while our equity in earnings of BlackRock is reported on our Consolidated Income Statement in Asset management revenue.

We also hold shares of Series C Preferred Stock of BlackRock pursuant to our obligation to partially fund a portion of certain BlackRock long-term incentive plan (LTIP) programs. Since these preferred shares are not deemed to be in-substance common stock, we have 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 Other assets. Our obligation to transfer these shares to BlackRock is classified as a derivative not designated as a hedging instrument under GAAP as disclosed in Note 17 Financial Derivatives.

BUSINESS COMBINATIONS

We record the net assets of companies that we acquire at their estimated fair value at the date of acquisition and we include the results of operations of the acquired companies on our Consolidated Income Statement from the date of acquisition. We recognize, as goodwill, the excess of the acquisition price over the estimated fair value of the net assets acquired.

SPECIAL PURPOSE ENTITIES

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

A variable interest entity (VIE) is a corporation, partnership, limited liability company, or any other legal structure used to conduct activities or hold assets that either:

- Does not have equity investors with voting rights that can directly or indirectly make decisions about the entity's activities through those voting rights or similar rights, or
- Has equity investors that do not provide sufficient equity for the entity to finance its activities without additional subordinated financial support.

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

VIEs are assessed for consolidation under ASC 810 Consolidations when we hold a variable interest in these entities. We consolidate a VIE if we are its primary beneficiary. The primary beneficiary of a VIE is determined to be the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Upon consolidation of a VIE, we recognize all of the VIE's assets, liabilities and noncontrolling interests on our Consolidated Balance Sheet. On a quarterly basis, we determine whether any changes occurred requiring a reassessment of whether PNC is the primary beneficiary of an entity.

In applying this guidance, we consolidate a credit card securitization trust, a non-agency securitization trust, and certain tax credit investments and other arrangements. Prior to the wind down of Market Street Funding LLC (Market Street), we also consolidated that entity. See Note 3 Loan Sale and Servicing Activities and Variable Interest Entities for information about VIEs that we do not consolidate but in which we hold a significant variable interest.

REVENUE RECOGNITION

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

- Lending,
- Securities portfolio,
- Asset management,
- Customer deposits,
- Loan sales and servicing,
- Brokerage services,
- Sale of loans and securities,
- Certain private equity activities, and
- Securities, derivatives and foreign exchange activities.

We earn fees and commissions from:

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

Revenue earned on interest-earning assets, including unearned income and the amortization/accretion of premiums or discounts recognized on acquired loans and debt securities, is recognized based on the constant effective yield of the financial instrument or based on other applicable accounting guidance.

The Consolidated Income Statement caption Asset management includes asset management fees, which are generally based on a percentage of the fair value of the assets under management. Additionally, Asset management noninterest income includes performance fees, which are generally based on a percentage of the returns on such assets and are recorded as earned, as well as our share of the earnings of BlackRock recognized under the equity method of accounting.

Service charges on deposit accounts are recognized when earned. Brokerage fees and gains and losses on the sale of securities and certain derivatives are recognized on a trade-date basis.

We record private equity income or loss based on changes in the valuation of the underlying investments or when we dispose of our interest.

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

We recognize revenue from servicing residential mortgages, commercial mortgages and other consumer loans as earned based on the specific contractual terms. These revenues, as well as changes in fair value and impairment on servicing rights, are reported on the Consolidated Income Statement in the line items Residential mortgage, Corporate services and Consumer services. We recognize revenue from securities, derivatives and foreign exchange customer-related trading, as well as securities underwriting activities, as these transactions occur or as services are provided. We generally recognize gains from the sale of loans upon receipt of cash. Mortgage revenue recognized is reported net of mortgage repurchase reserves.

When appropriate, revenue is reported net of associated expenses in accordance with GAAP.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

DEBT SECURITIES
Debt securities are recorded on a trade-date basis. We classify debt securities as held to maturity and carry them at amortized cost if we have the positive intent and ability to hold the securities to maturity. Debt securities that we purchase for certain risk management activities, customer-related trading activities, or those with embedded derivatives that otherwise may require bifurcation are carried at fair value and classified as Trading securities on our Consolidated Balance Sheet. Realized and unrealized gains and losses on trading securities are included in Other noninterest income.

Debt securities not classified as held to maturity or trading are designated as securities available for sale and carried at fair value with unrealized gains and losses, net of income taxes, reflected in Accumulated other comprehensive income (loss).

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

We include all interest on debt securities, including amortization of premiums and accretion of discounts on investment securities, in net interest income using the constant effective yield method. Effective yields reflect either the effective interest rate implicit in the security at the date of acquisition or the effective interest rate determined based on significantly improved cash flows subsequent to impairment. We compute gains and losses realized on the sale of available for sale debt securities on a specific security basis. These securities gains/(losses) are included in the caption Net gains on sales of securities on the Consolidated Income Statement.

In certain situations, management may elect to transfer certain debt securities from the securities available for sale to the held to maturity classification. In such cases, any unrealized gain or loss included in Accumulated other comprehensive income (loss) at the time of transfer is amortized over the remaining life of the security as a yield adjustment such that only the remaining initial discount/premium from the purchase date is recognized in income.

EQUITY SECURITIES AND PARTNERSHIP INTERESTS
We account for equity securities and equity investments other than BlackRock and private equity investments under one of the following methods:

- Marketable equity securities are recorded on a trade-date basis and are accounted for based on the securities' quoted market prices from a national securities exchange. Those purchased with the intention of recognizing short-term profits are classified as trading and included in Trading securities on our Consolidated Balance Sheet. Both realized and unrealized gains and losses on trading securities are included in Noninterest income. Marketable equity securities not classified as trading are designated as securities available for sale with unrealized gains and losses, net of income taxes, reflected in Accumulated other comprehensive income (loss). Any unrealized losses that we have determined to be other-than-temporary on securities classified as available for sale are recognized in current period earnings.
- For investments in limited partnerships, limited liability companies and other investments that are not required to be consolidated, we use either the equity method or the cost method of accounting. We use the equity method for general and limited partner ownership interests and limited liability companies in which we are considered to have significant influence over the operations of the investee and when the net asset value of our investment reflects our economic interest in the underlying investment. Under the equity method, we record our equity ownership share of net income or loss of the investee in Noninterest income. We use the cost method for all other investments. Under the cost method, there is no change to the cost basis unless there is an other-than-temporary decline in value or dividends received are considered a return on investment. If the decline is determined to be other-than-temporary, we write down the cost basis of the investment to a new cost basis that represents realizable value. The amount of the write-down is accounted for as a loss included in Other noninterest income. Distributions received

from the income of an investee on cost method investments are included in Noninterest income. Investments described above are included in the caption Equity investments on the Consolidated Balance Sheet.

PRIVATE EQUITY INVESTMENTS

We report private equity investments, which include direct investments in companies, affiliated partnership interests and indirect investments in private equity funds, at estimated fair value. These estimates are based on available information and may not necessarily represent amounts that we will ultimately realize through distribution, sale or liquidation of the investments. Fair values of publicly traded direct investments are determined using quoted market prices and are subject to various discount factors for legal or contractual sales restrictions, when appropriate. The valuation procedures applied to direct investments in private companies include techniques such as multiples of adjusted earnings of the entity, independent appraisals, anticipated financing and sale transactions with third parties, or the pricing used to value the entity in a recent financing transaction. We value affiliated partnership interests based on the underlying investments of the partnership using procedures consistent with those applied to direct investments. 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 values are made when available recent portfolio company information or market information indicates significant changes in value from that provided by the manager of the fund. We include all private equity investments on the Consolidated Balance Sheet in the caption Equity investments. Changes in the fair value of private equity investments are recognized in Noninterest income.

We consolidate affiliated partnerships when we are the general partner and have determined that we have control of the partnership or are the primary beneficiary if the entity is a VIE. The portion we do not own is reflected in the caption Noncontrolling interests on the Consolidated Balance Sheet.

LOANS

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

Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent.

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

When loans are redesignated from held for investment to held for sale, specific reserves and allocated pooled reserves included in the Allowance for loan and lease losses (ALLL) are charged-off to reduce the basis of the loans to the lower of cost or estimated fair value less cost to sell.

In addition to originating loans, we also acquire loans through portfolio purchases or acquisitions of other financial services companies. For certain acquired loans that have experienced a deterioration of credit quality, we follow the guidance contained in ASC 310-30-Loans and Debt Securities Acquired with Deteriorated Credit Quality. Under this guidance, acquired purchased impaired loans are to be recorded at fair value without the carryover of any existing valuation allowances. Evidence of credit quality deterioration may include information and statistics regarding bankruptcy events, updated borrower credit scores, such as Fair Isaac Corporation scores (FICO), past due status, and updated loan-to-value (LTV) ratios. We review the loans acquired for evidence of credit quality deterioration and determine if it is probable that we will be unable to collect all contractual amounts due, including both principal and interest. When both conditions exist, we estimate the amount and timing of undiscounted expected cash flows at acquisition for each loan either individually or on a pool basis. We estimate the cash flows expected to be collected using internal models that incorporate management's best estimate of current key assumptions, such as default rates, loss severity and payment speeds. Collateral values are also incorporated into cash flow estimates. Late fees, which are contractual but not expected to be collected, are excluded from expected future cash flows.

The accretable yield is calculated based upon the difference between the undiscounted expected future cash flows of the loans and the recorded investment in the loans. This amount is accreted into income over the life of the loan or pool using the constant effective yield method. Subsequent decreases in expected cash flows that are attributable, at least in part, to credit quality are recognized as impairments through a charge to the provision for credit losses resulting in an increase in the ALLL. Subsequent increases in expected cash flows are recognized as a recovery of previously recorded ALLL or prospectively through an adjustment of the loan's or pool's yield over its remaining life.

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

LEASES

We provide financing for various types of equipment, including aircraft, energy and power systems, and vehicles through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Leveraged leases, a form of financing lease, are carried net of nonrecourse debt. We recognize income over the term of the lease using the constant effective yield method. Lease residual values are reviewed for other-than-temporary impairment at least annually. Gains or losses on the sale of leased assets are included in Other noninterest income while valuation adjustments on lease residuals are included in Other noninterest expense.

LOAN SALES, LOAN SECURITIZATIONS AND RETAINED INTERESTS

We recognize the sale of loans or other financial assets when the transferred assets are legally isolated from our creditors and the appropriate accounting criteria are met. We have sold mortgage, credit card and other loans through securitization transactions. In a securitization, financial assets are transferred into trusts or to SPEs in transactions to effectively legally isolate the assets from PNC. Where the transferor is a depository institution, legal isolation is accomplished through compliance with specific rules and regulations of the relevant regulatory authorities. Where the transferor is not a depository institution, legal isolation is accomplished through utilization of a two-step securitization structure.

ASC Topic 860 Accounting For Transfers of Financial Assets requires a true sale legal analysis to address several relevant factors, such as the nature and level of recourse to the transferor, and the amount and nature of retained interests in the loans sold. The analytical conclusion as to a true sale is never absolute and unconditional, but contains qualifications based on the inherent equitable powers of a bankruptcy court, as well as the unsettled state of the common law, or powers of the FDIC as a conservator or receiver. This analytical conclusion also considers all arrangements or agreements made contemporaneously with or in contemplation of a transfer when applying surrender of control conditions. Once the legal isolation test has been met, other factors concerning the nature and extent of the transferor's control and the rights of the transferee over the transferred assets are taken into account in order to determine whether derecognition of assets is warranted.

In a securitization, the trust or SPE issues beneficial interests in the form of senior and subordinated securities backed or collateralized by the assets sold to the trust. The senior classes of the asset-backed securities typically receive investment grade credit ratings at the time of issuance. These ratings are generally achieved through the creation of lower-rated subordinated classes of asset-backed securities, as well as subordinated or residual interests. In certain cases, we may retain a portion or all of the securities issued, interest-only strips, one or more subordinated tranches, servicing rights and, in some cases, cash reserve accounts. Securitized loans are removed from the balance sheet and a net gain or loss is recognized in Noninterest income at the time of initial sale. Gains or losses recognized on the sale of the loans depend on the fair value of the loans sold and the retained interests at the date of sale. We generally estimate the fair value of the retained interests based on the present value of future expected cash flows using assumptions as to discount rates, interest rates, prepayment speeds, credit losses and servicing costs, if applicable.

With the exception of loan sales to certain U.S. government-chartered entities, our loan sales and securitizations are generally structured without recourse to us except for representations and warranties and with no restrictions on the retained interests. We originate, sell and service mortgage loans under the Federal National Mortgage Association (FNMA) Delegated Underwriting and Servicing (DUS) program. Under the provisions of the DUS program, we participate in a loss-sharing arrangement with FNMA. We participated in a similar program with the Federal Home Loan Mortgage Corporation (FHLMC). When we are obligated for loss-sharing or recourse, our policy is to record such liabilities initially at fair value and subsequently reserve for estimated losses in accordance with guidance contained in applicable GAAP. Refer to Note 24 Commitments and Guarantees for more information about our obligations related to sales of loans under these programs.

LOANS HELD FOR SALE

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

We have elected to account for certain commercial and residential mortgage loans held for sale at fair value. The changes in the fair value of the commercial mortgage loans are measured and recorded in Other noninterest income while the residential mortgage loans are measured and recorded in Residential mortgage noninterest income each period. See Note 9 Fair Value for additional information.

Interest income with respect to loans held for sale is accrued based on the principal amount outstanding and the loan's contractual interest rate.

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

NONPERFORMING ASSETS

Nonperforming assets consists of nonperforming loans and leases, other real estate owned (OREO) and foreclosed assets. Nonperforming loans and leases include nonperforming troubled debt restructurings (TDRs).

COMMERCIAL LOANS

We generally classify Commercial Lending (Commercial, Commercial Real Estate, and Equipment Lease Financing) loans as nonperforming and place them on nonaccrual status when we determine that the collection of interest or principal is not probable, including when delinquency of interest or principal payments has existed for 90 days or more and the loans are not well-secured and/or in the process of collection. A loan is considered well-secured when the collateral in the form of liens on (or pledges of) real or personal property, including marketable securities, has a realizable value sufficient to discharge the debt in full, including accrued interest. Such factors that would lead to nonperforming status would include, but are not limited to, the following:

- Deterioration in the financial position of the borrower resulting in the loan moving from accrual to cash basis accounting,
- The collection of principal or interest is 90 days or more past due unless the asset is both well-secured and/or in the process of collection,
- Reasonable doubt exists as to the certainty of the borrower’s future debt service ability, whether 90 days have passed or not,
- The borrower has filed or will likely file for bankruptcy,
- The bank advances additional funds to cover principal or interest,
- We are in the process of liquidating a commercial borrower, or
- We are pursuing remedies under a guarantee.

We charge off commercial nonperforming loans when we determine that a specific loan, or portion thereof, is uncollectible. This determination is based on the specific facts and circumstances of the individual loans. In making this determination, we consider the viability of the business or project as a going concern, the past due status when the asset is not well-secured, the expected cash flows to repay the loan, the value of the collateral, and the ability and willingness of any guarantors to perform.

Additionally, in general, for smaller dollar commercial loans of $1 million or less, a partial or full charge-off will occur at 120 days past due for term loans and 180 days past due for revolvers.

Certain small business credit card balances are placed on nonaccrual status when they become 90 days or more past due. Such loans are charged-off at 180 days past due.

CONSUMER LOANS

Nonperforming loans are those loans accounted for at amortized cost that have deteriorated in credit quality to the extent that full collection of contractual principal and interest is not probable. These loans are also classified as nonaccrual. For these loans, the current year accrued and uncollected interest is reversed through Net interest income and prior year accrued and uncollected interest is charged-off. Additionally, these loans may be charged-off down to the fair value less costs to sell.

Loans acquired and accounted for under ASC 310-30 – Loans and Debt Securities Acquired with Deteriorated Credit Quality are reported as performing and accruing loans due to the accretion of interest income.

Loans accounted for under the fair value option and loans accounted for as held for sale are reported as performing loans as these loans are accounted for at fair value and the lower of carrying value or the fair value less costs to sell, respectively. However, based upon the nonaccrual policies discussed below, interest income is not accrued. Additionally, based upon the nonaccrual policies discussed below, certain government insured loans for which we do not expect to collect substantially all principal and interest are reported as nonperforming and do not accrue interest. Alternatively, certain government insured loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest.

In the first quarter of 2013, we completed our alignment of certain nonaccrual and charge-off policies consistent with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending. This alignment primarily related to (i) subordinate consumer loans (home equity loans and lines of credit and residential mortgages) where the first-lien loan was 90 days or more past due, (ii) government guaranteed loans where the guarantee may not result in collection of substantially all contractual principal and interest and (iii) certain loans with borrowers in or discharged from bankruptcy. In the first quarter of 2013, due to classification as either nonperforming or, in the case of loans accounted for under the fair value option, nonaccrual loans, nonperforming loans increased by $426 million and net charge-offs increased by $134 million as a result of completing the alignment of the aforementioned policies. Additionally, overall delinquencies decreased $395 million due to loans now being reported as either nonperforming or, in the case of loans accounted for under the fair value option, nonaccruing, or having been charged-off. The impact of the alignment of the policies was considered in our reserving process in the determination of our Allowance for Loan and Lease Losses (ALLL) at December 31, 2012. See Note 5

Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional information.

A consumer loan is considered well-secured when the collateral in the form of liens on (or pledges of) real or personal property, including marketable securities, has a realizable value sufficient to discharge the debt in full, including accrued interest. Home equity installment loans and lines of credit, whether well-secured or not, are classified as nonaccrual at 90 days past due. Well-secured residential real estate loans are classified as nonaccrual at 180 days past due. In addition to these delinquency-related policies, a consumer loan may also be placed on nonaccrual status when:

- The loan has been modified and classified as a TDR, as further discussed below;
- Notification of bankruptcy has been received and the loan is 30 days or more past due;
- The bank holds a subordinate lien position in the loan and the first lien loan is seriously stressed (*i.e*., 90 days or more past due);
- Other loans within the same borrower relationship have been placed on nonaccrual or charge-off has been taken on them;
- The bank has repossessed non-real estate collateral securing the loan; or
- The bank has charged-off the loan to the value of the collateral.

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

Home equity installment loans, home equity lines of credit, and residential real estate loans that are not well-secured and in the process of collection are charged-off at no later than 180 days past due to the estimated fair value of the collateral less costs to sell. In addition to this policy, the bank will also recognize a charge-off on a secured consumer loan when:

- The bank holds a subordinate lien position in the loan and a foreclosure notice has been received on the first lien loan;
- The bank holds a subordinate lien position in the loan which is 30 days or more past due with a combined loan to value ratio of greater than or equal to 110% and the first lien loan is seriously stressed (*i.e*., 90 days or more past due);
- It is modified or otherwise restructured in a manner that results in the loan becoming collateral dependent;
- Notification of bankruptcy has been received within the last 60 days and the loan is 60 days or more past due;
- The borrower has been discharged from personal liability through Chapter 7 bankruptcy and has not formally reaffirmed his or her loan obligation to PNC; or
- The collateral securing the loan has been repossessed and the value of the collateral is less than the recorded investment of the loan outstanding.

ACCOUNTING FOR NONPERFORMING ASSETS

If payment is received on a nonaccrual loan, generally the payment is first applied to the recorded investment; payments are then applied to recover any charged-off amounts related to the loan. Finally, if both recorded investment and any charge-offs have been recovered, then the payment will be recorded as fee and interest income.

Nonaccrual loans are generally not returned to accrual status until the borrower has performed in accordance with the contractual terms for a reasonable period of time (*e.g*., 6 months). When a nonperforming loan is returned to accrual status, it is then considered a performing loan.

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs may include restructuring certain terms of loans, receipts of assets from debtors in partial satisfaction of loans, or a combination thereof. For TDRs, payments are applied based upon their contractual terms unless the related loan is deemed non-performing. TDRs are generally included in nonperforming loans until returned to performing status through the fulfilling of restructured terms for a reasonable period of time (generally 6 months). TDRs resulting from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status.

See Note 5 Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional TDR information.

Foreclosed assets are comprised of any asset seized or property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Other real estate owned is comprised principally of commercial real estate and residential real estate properties obtained in partial or total satisfaction of loan obligations. After obtaining a foreclosure judgment, or in some jurisdictions the initiation of proceedings under a power of sale in the loan instruments, the property will be sold. When we are awarded title, we transfer the loan to foreclosed assets included in Other assets on our Consolidated Balance Sheet. Property obtained in satisfaction of a loan is initially recorded at estimated fair value less cost to sell. Based upon the estimated fair value less cost to sell, the recorded investment of the loan is adjusted and, typically, a charge-off/recovery is recognized to the ALLL. We estimate fair values primarily based on appraisals, or sales agreements with third parties. Fair value also considers the proceeds expected from government insurance and guarantees upon the conveyance of the other real estate owned (OREO).

Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or estimated fair value less cost to sell. Valuation adjustments on these assets and gains or losses realized from disposition of such property are reflected in Other noninterest expense.

See Note 5 Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional information.

ALLOWANCE FOR LOAN AND LEASE LOSSES

We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolios as of the balance sheet date. Our determination of the allowance is based on periodic evaluations of these loan and lease portfolios and other relevant factors. This critical estimate includes the use of significant amounts of PNC's own historical data and complex methods to interpret them. We have an ongoing process to evaluate and enhance the quality, quantity and timeliness of our data and interpretation methods used in the determination of this allowance. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change, and include, among others:

- Probability of default (PD),
- Loss given default (LGD),
- Outstanding balance of the loan,
- Movement through delinquency stages,
- Amounts and timing of expected future cash flows,
- Value of collateral, which may be obtained from third parties, and
- Qualitative factors, such as changes in current economic conditions, that may not be reflected in modeled results.

While our reserve methodologies strive to reflect all relevant risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes. We provide additional reserves that are designed to provide coverage for losses attributable to such risks. The ALLL also includes factors which may not be directly measured in the determination of specific or pooled reserves. Such qualitative factors may include:

- Industry concentrations and conditions,
- Recent credit quality trends,
- Recent loss experience in particular portfolios,
- Recent macro-economic factors,
- Model imprecision,
- Changes in lending policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Limitations of available historical data.

In determining the appropriateness of the ALLL, we make specific allocations to impaired loans and allocations to portfolios of commercial and consumer loans.

Nonperforming loans that are considered impaired under ASC 310 – Receivables are evaluated for a specific reserve. Specific reserve allocations are determined as follows:

- For commercial nonperforming loans and TDRs greater than or equal to a defined dollar threshold, specific reserves are based on an analysis of the present value of the loan's expected future cash flows, the loan's observable market price or the fair value of the collateral.
- For commercial nonperforming loans and TDRs below the defined dollar threshold, the individual loan's LGD percentage is multiplied by the loan balance and the results are aggregated for purposes of measuring specific reserve impairment.
- Consumer nonperforming loans are collectively reserved for unless classified as TDRs. For TDRs, specific reserves are determined through an analysis of the present value of the loan's expected future cash flows, except for those instances where loans have been deemed collateral dependent, including loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. Once that determination has been made, those TDRs are charged down to the fair value of the collateral less costs to sell at each period end.
- For purchased impaired loans, 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 ALLL.

When applicable, this process is applied across all the loan classes in a similar manner. However, as previously discussed, certain consumer loans and lines of credit, not secured by residential real estate, are charged off.

Our credit risk management policies, procedures and practices are designed to promote sound lending standards and prudent credit risk management. We have policies, procedures and practices that address financial statement requirements, collateral review and appraisal requirements, advance rates based upon collateral types, appropriate levels of exposure, cross-border risk, lending to specialized industries or borrower type, guarantor requirements, and regulatory compliance.

See Note 5 Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional information.

ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable credit losses on these unfunded credit facilities as of the balance sheet date. We determine the allowance based on periodic evaluations of the unfunded credit facilities, including an assessment of the probability of commitment usage, credit risk factors, and, solely for commercial lending, the terms and expiration dates of the unfunded credit facilities. Other than the estimation of the probability of funding, the reserve for unfunded loan commitments is estimated in a manner similar to the methodology used for determining reserves for funded exposures. The allowance for unfunded loan commitments and letters of credit is recorded as a liability on the Consolidated Balance Sheet. Net adjustments to the allowance for unfunded loan commitments and letters of credit are included in the provision for credit losses.

See Note 5 Asset Quality and Note 7 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional information.

MORTGAGE AND OTHER SERVICING RIGHTS

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

- Deposit balances and interest rates for escrow and commercial reserve earnings,
- Discount rates,
- Stated note rates,
- Estimated prepayment speeds, and
- Estimated servicing costs.

For subsequent measurements of these assets, we have elected to utilize either the amortization method or fair value measurement based upon the asset class and our risk management strategy for managing these assets. For commercial mortgage loan servicing rights, we use the amortization method. This election was made based on the unique characteristics of the commercial mortgage loans underlying these servicing rights. Specific risk characteristics of commercial mortgages include loan type, currency or exchange rate, interest rates, expected cash flows and changes in the cost of servicing. We record these servicing assets as Other intangible assets and amortize them over their estimated lives based on estimated net servicing income. On a quarterly basis, we test the assets for impairment by categorizing the pools of assets underlying the servicing rights into various strata. If the estimated fair value of the assets is less than the carrying value, an impairment loss is recognized and a valuation reserve is established. As of January 1, 2014, PNC made an irrevocable election to subsequently measure all classes of commercial MSRs at fair value in order to eliminate any potential measurement mismatch between our economic hedges and the commercial MSRs. The impact was not material. We will recognize gain/(loss) on changes in the fair value of commercial MSRs as a result of that election.

For servicing rights related to residential real estate loans, we apply the fair value method. This election was made to be consistent with our risk management strategy to hedge changes in the fair value of these assets. We manage this risk by hedging the fair value of this asset with derivatives and securities which are expected to increase in value when the value of the servicing right declines. The fair value of these servicing rights is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors which are determined based on current market conditions.

Revenue from the various loan servicing contracts for commercial, residential and other consumer loans is reported on the Consolidated Income Statement in line items Corporate services, Residential mortgage and Consumer services.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments and the methods and assumptions used in estimating fair value amounts and financial assets and liabilities for which fair value was elected are detailed in Note 9 Fair Value.

GOODWILL AND OTHER INTANGIBLE ASSETS

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

DEPRECIATION AND AMORTIZATION

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

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

We purchase, as well as internally develop and customize, certain software to enhance or perform internal business functions. Software development costs incurred in the planning and post-development project stages are charged to Noninterest expense. Costs associated with designing software configuration and interfaces, installation, coding programs and testing systems are capitalized and amortized using the straight-line method over periods ranging from one to 10 years.

Repurchase And Resale Agreements

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

Other Comprehensive Income

Other comprehensive income consists, on an after-tax basis, primarily of unrealized gains or losses, excluding OTTI attributable to credit deterioration, on investment securities classified as available for sale, unrealized gains or losses on derivatives designated as cash flow hedges, and changes in pension and other postretirement benefit plan liability adjustments. Details of each component are included in Note 20 Other Comprehensive Income.

Treasury Stock

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

Derivative Instruments And Hedging Activities

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

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

We recognize all derivative instruments at fair value as either Other assets or Other liabilities on the Consolidated Balance Sheet and the related cash flows in the Operating Activities section of the Consolidated Statement Of Cash Flows. Adjustments for counterparty credit risk are included in the determination of fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a cash flow or net investment hedging relationship. For all other derivatives, changes in fair value are recognized in Noninterest income.

We utilize a net presentation for derivative instruments on the Consolidated Balance Sheet taking into consideration the effects of legally enforceable master netting agreements. Cash collateral exchanged with counterparties is also netted against the applicable derivative exposures by offsetting obligations to return, or rights to reclaim, cash collateral against the fair values of the net derivatives being collateralized.

For those derivative instruments that are designated and qualify as accounting hedges, we designate the hedging instrument, based on the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of the net investment in a foreign operation.

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

For derivatives that are designated as fair value hedges (*i.e.*, hedging the exposure to changes in the fair value of an asset or a liability attributable to a particular risk, such as changes in LIBOR), changes in the fair value of the hedging instrument are recognized in earnings and offset by also recognizing in earnings the changes in the fair value of the hedged item attributable to the hedged risk. To the extent the change in fair value of the derivative does not offset the change in fair value of the hedged item, the difference or ineffectiveness is reflected in the Consolidated Income Statement in the same financial statement category as the hedged item.

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

For derivatives designated as a hedge of net investment in a foreign operation, the effective portions of the gain or loss on the derivatives are reported as a component of Accumulated other comprehensive income (loss). The change in fair value attributable to the ineffective portion of the hedging instrument is recognized immediately in Noninterest income.

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

When hedge accounting is discontinued because it is no longer probable that a forecasted transaction will occur, the derivative will continue to be recorded on the balance sheet at its fair value with changes in fair value included in current earnings, and the gains and losses in Accumulated other comprehensive income (loss) will be recognized immediately into earnings. When we discontinue hedge accounting because the hedging instrument is sold, terminated or no longer designated, the amount reported in Accumulated other comprehensive income (loss) up to the date of sale, termination or de-designation continues to be reported in Other comprehensive income or loss until the forecasted transaction affects earnings. We did not terminate any cash flow hedges in 2013, 2012 or 2011 due to a determination that a forecasted transaction was no longer probable of occurring.

We purchase or originate financial instruments that contain an embedded derivative. At the inception of the transaction, we assess if the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the host contract, whether the hybrid financial instrument is measured at fair value with changes in fair value reported in earnings, and whether a separate instrument with the same terms as the embedded derivative would be a derivative. If the embedded derivative does not meet all of these conditions, the embedded derivative is recorded separately from the host contract with changes in fair value recorded in earnings, unless we elect to account for the hybrid instrument at fair value.

We have elected on an instrument-by-instrument basis, fair value measurement for certain financial instruments with embedded derivatives.

We enter into commitments to originate residential and commercial mortgage loans for sale. We also enter into commitments to purchase or sell commercial and residential real estate loans. These commitments are accounted for as free-standing derivatives which are recorded at fair value in Other assets or Other liabilities on the Consolidated Balance Sheet. Any gain or loss from the change in fair value after the inception of the commitment is recognized in Noninterest income.

INCOME TAXES

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that we expect will apply at the time when we believe the differences will reverse. The recognition of deferred tax assets requires an assessment to determine the realization of such assets. Realization refers to the incremental benefit achieved through the reduction in future taxes payable or refunds receivable from the deferred tax assets, assuming that the underlying deductible differences and carryforwards are the last items to enter into the determination of future taxable income. We establish a valuation allowance for tax assets when it is more likely than not that they will not be realized, based upon all available positive and negative evidence.

EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated using the two-class method to determine income attributable to common shareholders. 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 shareholders 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 from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and warrants and the issuance of incentive shares using the treasury stock method. These adjustments to the weighted-average number of shares of common stock outstanding are made only when such adjustments will dilute earnings per common share. See Note 18 Earnings Per Share for additional information.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-10, Derivatives and Hedging (Topic 815*): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. This ASU amends Topic 815 to include the Fed Funds effective swap rate (OIS) as a U.S. benchmark interest rate for hedge accounting purposes. The amendments also remove the restriction on using different benchmark interest rates for similar hedges. ASU 2013-10 became effective on July 17, 2013 and applies to new hedge relationships established on or after that date. This did not have a material effect on our results of operations or financial position.

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* This ASU requires companies to present information about reclassification adjustments from Accumulated other comprehensive income in a single note or on the face of the financial statements. Additionally, companies are to disclose by component reclassifications out of Accumulated other comprehensive income and their effects on the respective line items on net income and other disclosures currently required under U.S. GAAP. ASU 2013-02 was effective for annual and interim reporting periods beginning after December 15, 2012. These required disclosures are included in Note 20 Other Comprehensive Income.

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities* and then amended the scope of ASU 2011-11 in January 2013 through the issuance of ASU 2013-01, Balance Sheet (Topic 210): *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* This ASU applies to all entities that have derivative instruments, repurchase agreements and reverse repurchase agreements, or securities lending agreements that are (i) offset in accordance with ASC 210-20-45 or ASC 815-10-45 or (ii) subject to an enforceable master netting arrangement or similar agreement, and requires an entity to disclose information about offsetting to enable users of its financial statements to understand the effect of those arrangements on its financial position. The disclosures were required for quarterly and annual reporting periods beginning on or after January 1, 2013 and were to be applied retrospectively for all comparative periods presented. We adopted these ASUs on January 1, 2013 for our derivatives that we offset in accordance with ASC 815-10-45 and for our repurchase/resale arrangements under enforceable master netting arrangements, which we do not currently offset on our Consolidated Balance Sheet. These ASUs did not change the accounting for these arrangements or require them to be offset and thus had no impact on our results of operation or financial position. These disclosures are included in Note 17 Financial Derivatives and Note 24 Commitments and Guarantees.

In December 2011, the FASB issued ASU 2011-10, Property, Plant, and Equipment (Topic 360): *Derecognition of in Substance Real Estate – a Scope Clarification (a consensus of the FASB Emerging Issues Task Force)*. This ASU clarified that the guidance in ASC 360-20 applies to a parent that ceases to have a controlling financial interest (as described in ASC 810-10) in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt. ASU 2011-10 should be applied on a prospective basis and was effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. We adopted ASU 2011-10 on January 1, 2013 and there was no impact to our results of operations or financial position.

In October 2012, the FASB issued ASU 2012-06, Business Combinations (Topic 805): *Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution.* This ASU impacts all entities that recognize an indemnification asset in purchase accounting for a government-assisted acquisition of a financial institution. The effective date of ASU 2012-06 was January 1, 2013. We adopted ASU 2012-06 on January 1, 2013 and there was no impact to our results of operations or financial position.

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other (Topic 350): *Testing Indefinite-Lived Intangible Assets for Impairment.* This ASU applies to indefinite-lived intangible assets other than goodwill and simplifies the impairment test of those assets by allowing an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite lived intangible asset is less than its carrying amount before proceeding to the quantitative impairment test. The effective date of this ASU was January 1, 2013. However, since we currently do not have any indefinite lived intangibles other than goodwill, this ASU did not have an effect on our results of operations or financial position.

NOTE 2 ACQUISITION AND DIVESTITURE ACTIVITY

2012 RBC BANK (USA) ACQUISITION

On March 2, 2012, PNC acquired 100% of the issued and outstanding common stock of RBC Bank (USA), the U.S. retail banking subsidiary of Royal Bank of Canada. As part of the acquisition, PNC also purchased a credit card portfolio from RBC Bank (Georgia), National Association. PNC paid $3.6 billion in cash as consideration for the acquisition of both RBC Bank (USA) and the credit card portfolio. The fair value of the net assets acquired totaled approximately $2.6 billion, including $18.1 billion of deposits, $14.5 billion of loans and $.2 billion of other intangible assets. Goodwill of $1.0 billion was recorded as part of the acquisition. Refer to Note 2 Acquisition and Divestiture Activity in Item 8 of our 2012 Form 10-K for additional details related to the RBC Bank (USA) transactions.

2012 SALE OF SMARTSTREET

Effective October 26, 2012, PNC divested certain deposits and assets of the Smartstreet business unit, which was acquired by PNC as part of the RBC Bank (USA) acquisition, to Union Bank, N.A. Smartstreet is a nationwide business focused on homeowner or community association managers and had approximately $1 billion of assets and deposits as of September 30, 2012. The gain on sale was immaterial and resulted in a reduction of goodwill and core deposit intangibles by $46 million and $13 million, respectively. Results from operations of Smartstreet from March 2, 2012 through October 26, 2012 are included in our Consolidated Income Statement.

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 loan sale transactions. Agency securitizations consist of securitization transactions with FNMA, FHLMC and Government National Mortgage Association (GNMA) (collectively the Agencies). FNMA and FHLMC generally securitize our transferred loans into mortgage-backed securities for sale into the secondary market through special purpose entities (SPEs) that they sponsor. We, as an authorized GNMA issuer/servicer, pool Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) insured loans into mortgage-backed securities for sale into the secondary market. In Non-agency securitizations, we have transferred loans into securitization SPEs. In other instances, third-party investors have also purchased our loans in loan sale transactions and in certain instances have subsequently sold these loans into securitization SPEs. Securitization SPEs utilized in the Agency and Non-agency securitization transactions are variable interest entities (VIEs).

Our continuing involvement in the FNMA, FHLMC, and GNMA securitizations, Non-agency securitizations, and loan sale transactions generally consists of servicing, repurchases of previously transferred loans under certain conditions 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.

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 right at fair value.

Servicing rights are recognized in Other intangible assets on our Consolidated Balance Sheet and when subsequently accounted for at fair value are classified within Level 3 of the fair value hierarchy. See Note 9 Fair Value and Note 10 Goodwill and Other Intangible Assets for further discussion of our residential and commercial servicing rights.

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 an asset (in either Loans or Loans held for sale) and a corresponding liability (in Other borrowed funds) on the balance sheet regardless of our intent to repurchase the loan. At December 31, 2013 and December 31, 2012, the balance of our ROAP asset and liability totaled $128 million and $190 million, respectively.

The Agency and Non-agency mortgage-backed securities issued by the securitization SPEs that are purchased and held on our balance sheet are typically purchased 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. Substantially all of the Non-agency mortgage-backed securities acquired and held on our balance sheet are senior tranches in the securitization structure.

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 with those described above.

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 (recourse obligations) with the Agencies. Other than providing temporary liquidity under servicing advances and our loss exposure associated with our repurchase and 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 24 Commitments and Guarantees for further discussion of our repurchase and recourse obligations.

The following table provides information related to certain financial information and cash flows associated with PNC's loan sale and servicing activities:

Table 57: Certain Financial Information and Cash Flows Associated with Loan Sale and Servicing Activities

In millions	Residential Mortgages	Commercial Mortgages (a)	Home Equity Loans/Lines (b)
FINANCIAL INFORMATION – December 31, 2013			
Servicing portfolio (c)	$113,994	$ 176,510	$ 4,902
Carrying value of servicing assets (d)	1,087	549	
Servicing advances (e)	571	412	11
Repurchase and recourse obligations (f)	131	33	22
Carrying value of mortgage-backed securities held (g)	4,144	1,475	
FINANCIAL INFORMATION – December 31, 2012			
Servicing portfolio (c)	$119,262	$ 153,193	$ 5,353
Carrying value of servicing assets (d)	650	420	
Servicing advances (e)	582	505	5
Repurchase and recourse obligations (f)	614	43	58
Carrying value of mortgage-backed securities held (g)	5,445	1,533	

In millions	Residential Mortgages	Commercial Mortgages (a)	Home Equity Loans/Lines (b)
CASH FLOWS – Year ended December 31, 2013			
Sales of loans (h)	$ 14,650	$ 2,754	
Repurchases of previously transferred loans (i)	1,191		$ 9
Servicing fees (j)	362	176	21
Servicing advances recovered/(funded), net	11	93	(6)
Cash flows on mortgage-backed securities held (g)	1,456	411	
CASH FLOWS – Year ended December 31, 2012			
Sales of loans (h)	$ 13,783	$ 2,172	
Repurchases of previously transferred loans (i)	1,500		$ 21
Servicing fees (j)	383	180	22
Servicing advances recovered/(funded), net	(19)	6	3
Cash flows on mortgage-backed securities held (g)	1,220	536	

(a) Represents financial and cash flow information associated with both commercial mortgage loan transfer and servicing activities.
(b) These activities were part of an acquired brokered home equity lending business in which PNC is no longer engaged. See Note 24 Commitments and Guarantees for further information.
(c) For our continuing involvement with residential mortgages, this amount represents the outstanding balance of loans we service, including loans transferred by us and loans originated by others where we have purchased the associated servicing rights. For home equity loan/line of credit transfers, this amount represents the outstanding balance of loans transferred and serviced. For commercial mortgages, this amount represents our overall servicing portfolio in which loans have been transferred by us or third parties to VIEs.
(d) See Note 9 Fair Value and Note 10 Goodwill and Other Intangible Assets for further information.
(e) Pursuant to certain contractual servicing agreements, represents outstanding balance of funds advanced (i) to investors for monthly collections of borrower principal and interest, (ii) for borrower draws on unused home equity lines of credit, and (iii) for collateral protection associated with the underlying mortgage collateral.
(f) Represents liability for our loss exposure associated with loan repurchases for breaches of representations and warranties for our Residential Mortgage Banking and Non-Strategic Assets Portfolio segments, and our commercial mortgage loss share arrangements for our Corporate & Institutional Banking segment. See Note 24 Commitments and Guarantees for further information.
(g) Represents securities held where PNC transferred to and/or services loans for a securitization SPE and we hold securities issued by that SPE.
(h) There were no gains or losses recognized on the transaction date for sales of residential mortgage loans as these loans are recognized on the balance sheet at fair value. For transfers of commercial mortgage loans not recognized on the balance sheet at fair value, gains/losses recognized on sales of these loans were insignificant for the periods presented.
(i) Includes government insured or guaranteed loans eligible for repurchase through the exercise of our ROAP option and loans repurchased due to breaches of origination covenants or representations and warranties made to purchasers.
(j) Includes contractually specified servicing fees, late charges and ancillary fees.

The table below presents information about the principal balances of transferred loans not recorded on our balance sheet, including residential mortgages, that we service. Additionally, the table below includes principal balances of commercial mortgage securitization and sales transactions where we service those assets. Serviced delinquent loans are 90 days or more past due.

Table 58: Principal Balance, Delinquent Loans (Loans 90 Days or More Past Due), and Net Charge-offs Related to Serviced Loans

In millions	Residential Mortgages	Commercial Mortgages	Home Equity Loans/Lines (a)
Serviced Loan Information – December 31, 2013			
Total principal balance	$ 85,758	$ 62,872	$ 4,902
Delinquent loans	3,562	2,353	1,985
Serviced Loan Information – December 31, 2012			
Total principal balance	$ 97,399	$ 67,563	$ 5,353
Delinquent loans	4,922	3,440	1,963

In millions	Residential Mortgages	Commercial Mortgages	Home Equity Loans/Lines (a)
Year ended December 31, 2013			
Net charge-offs (b)	$ 213	$ 916	$ 119
Year ended December 31, 2012			
Net charge-offs (b)	$ 303	$ 978	$ 262

(a) These activities were part of an acquired brokered home equity lending business in which PNC is no longer engaged. See Note 24 Commitments and Guarantees for further information.

(b) Net charge-offs for Residential mortgages and Home equity loans/lines represent credit losses less recoveries distributed and as reported to investors during the period. Net charge-offs for Commercial mortgages represents credit losses less recoveries distributed and as reported by the trustee for CMBS securitizations. Realized losses for Agency securitizations are not reflected as we do not manage the underlying real estate upon foreclosure and, as such, do not have access to loss information.

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 Accounting Policies. 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 December 31, 2013 and December 31, 2012. We have not provided additional financial support to these entities that we are not contractually required to provide.

Table 59: Consolidated VIEs – Carrying Value (a) (b)

December 31, 2013 In millions	Market Street (c)	Credit Card and Other Securitization Trusts (d)	Tax Credit Investments	Total
Assets				
Cash and due from banks			$ 5	$ 5
Interest-earning deposits with banks			7	7
Loans		$ 1,736		1,736
Allowance for loan and lease losses		(58)		(58)
Equity investments			582	582
Other assets		25	566	591
Total assets		$ 1,703	$ 1,160	$2,863
Liabilities				
Other borrowed funds		$ 184	$ 230	$ 414
Accrued expenses			83	83
Other liabilities			252	252
Total liabilities		$ 184	$ 565	$ 749

(continued on following page)

December 31, 2012 In millions	Market Street	Credit Card Securitization Trust (e)	Tax Credit Investments	Total
Assets				
Cash and due from banks			$ 4	$ 4
Interest-earning deposits with banks			6	6
Investment securities	$ 9			9
Loans	6,038	$ 1,743		7,781
Allowance for loan and lease losses		(75)		(75)
Equity investments			1,429	1,429
Other assets	536	31	714	1,281
Total assets	$ 6,583	$ 1,699	$ 2,153	$10,435
Liabilities				
Commercial paper	$ 6,045			$ 6,045
Other borrowed funds			$ 257	257
Accrued expenses			132	132
Other liabilities	529		447	976
Total liabilities	$ 6,574		$ 836	$ 7,410

(a) Amounts represent carrying value on PNC's Consolidated Balance Sheet.
(b) Difference between total assets and total liabilities represents the equity portion of the VIE or intercompany assets and liabilities which are eliminated in consolidation.
(c) During the fourth quarter of 2013, PNC finalized the wind down of Market Street. All commitments and loans of Market Street have been assigned to PNC Bank, National Association (PNC Bank, N.A.).
(d) During the first quarter of 2013, PNC consolidated a Non-agency securitization trust due to modification of contractual provisions.
(e) During the first quarter of 2012, the last securitization series issued by the SPE matured, resulting in the zero balance of liabilities at December 31, 2012.

Table 60: Non-Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss (a)	Carrying Value of Assets	Carrying Value of Liabilities
December 31, 2013					
Commercial Mortgage-Backed Securitizations (b)	$ 65,757	$ 65,757	$1,747	$1,747(d)	
Residential Mortgage-Backed Securitizations (b)	37,962	37,962	4,171	4,171(d)	$ 5(f)
Tax Credit Investments and Other (c)	7,086	2,622	2,134	2,160(e)	826(g)
Total	$110,805	$106,341	$8,052	$8,078	$ 831

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss (a)	Carrying Value of Assets	Carrying Value of Liabilities
December 31, 2012					
Commercial Mortgage-Backed Securitizations (b)	$ 72,370	$ 72,370	$1,829	$1,829(d)	
Residential Mortgage-Backed Securitizations (b)	42,719	42,719	5,456	5,456(d)	$ 90(f)
Tax Credit Investments and Other (c)	6,232	2,375	1,536	1,555(e)	642(g)
Total	$121,321	$117,464	$8,821	$8,840	$ 732

(a) This represents loans, investments and other assets related to non-consolidated VIEs, net of collateral (if applicable). Our total exposure related to our involvement in loan sale and servicing activities is disclosed in Table 57. Additionally, 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 8 Investment Securities and values disclosed represent our maximum exposure to loss for those securities' holdings.
(b) Amounts reflect involvement with securitization SPEs where PNC transferred to and/or services loans for an SPE and we hold securities issued by that SPE. Asset amounts equal outstanding liability amounts of the SPEs due to limited availability of SPE financial information.
(c) Aggregate assets and aggregate liabilities are based on limited availability of financial information associated with certain acquired partnerships and certain LLCs engaged in solar power generation to which PNC provides lease financing. The aggregate assets and aggregate liabilities of LLCs engaged in solar power generation may not be reflective of the size of these VIEs due to differences in classification of leases by these entities.
(d) Included in Trading securities, Investment securities, Other intangible assets and Other assets on our Consolidated Balance Sheet.
(e) Included in Loans, Equity investments and Other assets on our Consolidated Balance Sheet.
(f) Included in Other liabilities on our Consolidated Balance Sheet.
(g) Included in Deposits and Other liabilities on our Consolidated Balance Sheet.

Market Street

During the fourth quarter of 2013, PNC finalized the wind down of Market Street, a multi-seller asset-backed commercial paper conduit administered by PNC Bank, N.A. As part of the wind down process, the commitments and outstanding loans of Market Street were assigned to PNC Bank, N.A., which will fund these commitments and loans by utilizing its diversified funding sources. In conjunction with the assignment of commitments and loans, the associated liquidity facilities were terminated along with the program-level credit enhancement provided to Market Street. At December 31, 2013, Market Street's commercial paper was repaid in full. The wind down did not have a material impact to PNC's financial condition or results of operations.

Credit Card Securitization Trust

We were the sponsor of several credit card securitizations facilitated through a trust. This bankruptcy-remote SPE 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 to provide liquidity and to afford favorable capital treatment.

Our continuing involvement in these securitization transactions consisted primarily of holding certain retained interests and acting as the primary servicer. For each securitization series that was outstanding, our retained interests held were in the form of a pro-rata undivided 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 we were deemed the primary beneficiary of the entity based upon our level of continuing involvement. Our role as primary servicer gave us the power to direct the activities of the SPE that most significantly affect its economic performance and our holding of retained interests gave us the obligation to absorb expected losses, or the ability to receive residual returns that could be potentially significant to the SPE. The underlying assets of the consolidated SPE were restricted only for payment of the beneficial interests issued by the SPE. Additionally, creditors of the SPE have no direct recourse to PNC.

During the first quarter of 2012, the last series issued by the SPE, Series 2007-1, matured. At December 31, 2013, the SPE continued to exist and we consolidated the entity as we continued to be the primary beneficiary of the SPE through our holding of seller's interest and our role as the primary servicer.

Tax Credit Investments and Other

We make certain equity investments in various tax credit limited partnerships or limited liability companies (LLCs). The purpose of these investments is to achieve a satisfactory return on capital and to assist us in achieving goals associated with the Community Reinvestment Act.

Also, we are a national syndicator of affordable housing equity. 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. In some cases PNC may also purchase a limited partnership or non-managing member interest in the fund. The purpose of this business is to generate income from the syndication of these funds, generate servicing fees by managing the funds, and earn tax credits to reduce our tax liability. General partner or managing member activities include selecting, evaluating, structuring, negotiating, and closing the fund investments in operating limited partnerships or LLCs, 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. However, certain partnership or LLC agreements provide the limited partner or non-managing member the ability to remove the general partner or managing member without cause. This results in the limited partner or non-managing member being the party that has the right to make decisions that will most significantly impact the economic performance of the entity. The primary sources of benefits for these investments are the tax credits and passive losses which reduce our tax liability. We have consolidated investments in which we have the power to direct the activities that most significantly impact the entity's performance, and have an obligation to absorb expected losses or receive benefits that could be potentially significant. The assets are primarily included in Equity investments and Other assets on our Consolidated Balance Sheet with the liabilities classified in Other borrowed funds, Accrued expenses, and Other liabilities and the third-party investors' interests included in the Equity section as Noncontrolling interests. Neither creditors nor equity investors in these investments have any recourse to our general credit. The consolidated assets and liabilities of these investments are provided in Table 59 and reflected in the "Other" business segment.

For tax credit investments in which we do not have the right to make decisions that will most significantly impact the economic performance of the entity, we are not the primary beneficiary and thus they are not consolidated. These investments are disclosed in Table 60. The table also reflects our maximum exposure to loss exclusive of any potential tax credit recapture. 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 equity investment in these entities with the investments reflected in Equity investments on our Consolidated Balance Sheet as appropriate. 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.

Table 60 also includes our involvement in lease financing transactions with LLCs engaged in solar power generation that to a large extent provided returns in the form of tax credits. The outstanding financings and operating lease assets are reflected as Loans and Other assets, respectively, on our Consolidated Balance Sheet. Our lease financing liabilities are reported in Deposits and Other liabilities.

During 2013, PNC sold limited partnership or non-managing member interests previously held in certain consolidated funds. As a result, PNC no longer met the consolidation criteria for those investments and deconsolidated approximately $675 million of net assets related to the funds.

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 nature 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 (i) our role as servicer, (ii) our holdings of mortgage-backed securities issued by the securitization SPE, and (iii) the rights of third-party variable interest holders.

The first step in our assessment is to determine whether we hold a variable interest in the securitization SPE. We hold variable interests in Agency and Non-agency securitization SPEs through our holding of mortgage-backed securities issued by the SPEs 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.

In the first quarter 2013, contractual provisions of a Non-agency residential securitization were modified resulting in PNC being deemed the primary beneficiary of the securitization. As a result, we consolidated the SPE and recorded the SPE's home equity line of credit assets and associated beneficial interest liabilities and are continuing to account for these instruments at fair value. These balances are included within the Credit Card and Other Securitization Trusts balances line in Table 59. Additionally, creditors of the SPE have no direct recourse to PNC.

Details about the Agency and Non-agency securitization SPEs where we hold a variable interest and are not the primary beneficiary are included in Table 60. 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

A summary of the major categories of loans outstanding follows:

Table 61: Loans Summary

In millions	December 31 2013	December 31 2012
Commercial lending		
Commercial	$ 88,378	$ 83,040
Commercial real estate	21,191	18,655
Equipment lease financing	7,576	7,247
Total commercial lending	117,145	108,942
Consumer lending		
Home equity	36,447	35,920
Residential real estate	15,065	15,240
Credit card	4,425	4,303
Other consumer	22,531	21,451
Total consumer lending	78,468	76,914
Total loans (a) (b)	$ 195,613	$ 185,856

(a) Net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $2.1 billion and $2.7 billion at December 31, 2013 and December 31, 2012, respectively.
(b) Future accretable yield related to purchased impaired loans is not included in the loans summary.

In the normal course of business, we originate or purchase loan products with contractual features, when concentrated, that may increase our exposure as a holder of those loan products. Possible product features that may create a concentration of credit risk would include a high original or updated LTV ratio, terms that may expose the borrower to future increases in repayments above increases in market interest rates, below-market interest rates and interest-only loans, among others. We also originate home equity loans and lines of credit that are concentrated in our primary geographic markets.

We originate interest-only loans to commercial borrowers. This is usually to match our borrowers' asset conversion to cash expectations (*e.g.*, working capital lines, revolvers).

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

At December 31, 2013, we pledged $23.4 billion of commercial loans to the Federal Reserve Bank (FRB) and $40.4 billion of residential real estate and other loans to the Federal Home Loan Bank (FHLB) as collateral for the contingent ability to borrow, if necessary. The comparable amounts at December 31, 2012 were $23.2 billion and $37.3 billion, respectively.

Table 62: Net Unfunded Credit Commitments

In millions	December 31 2013	December 31 2012
Total commercial lending	$ 90,104	$ 78,703
Home equity lines of credit	18,754	19,814
Credit card	16,746	17,381
Other	4,266	4,694
Total (a)	$ 129,870	$ 120,592

(a) Excludes standby letters of credit. See Note 24 Commitments and Guarantees for additional information on standby letters of credit.

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. At December 31, 2013, commercial commitments reported above exclude $25.0 billion of syndications, assignments and participations, primarily to financial institutions. The comparable amount at December 31, 2012 was $22.5 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.

NOTE 5 ASSET QUALITY

ASSET QUALITY

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency rates may be a key indicator, among other considerations, of credit risk within the loan portfolios. The measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies exclude loans held for sale, purchased impaired loans and nonperforming loans, but include government insured or guaranteed loans and loans accounted for under the fair value option.

The trends in nonperforming assets represent another key indicator of the potential for future credit losses. Nonperforming assets include nonperforming loans, OREO and foreclosed assets. Nonperforming loans are those loans accounted for at amortized cost that have deteriorated in credit quality to the extent that full collection of contractual principal and interest is not probable. Interest income is not recognized on these loans. Loans accounted for under the fair value option are reported as performing loans as these loans are accounted for at fair value. However, when nonaccrual criteria is met, interest income is not recognized on these loans. Additionally, certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest. Purchased impaired loans are excluded from nonperforming loans as we are currently accreting interest income over the expected life of the loans. See Note 6 Purchased Loans for further information.

See Note 1 Accounting Policies for additional delinquency, nonperforming, and charge-off information.

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The following tables display the delinquency status of our loans and our nonperforming assets at December 31, 2013 and December 31, 2012, respectively.

Table 63: Analysis of Loan Portfolio (a)

	Accruing								
In millions	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due (b)	Nonperforming Loans	Fair Value Option Nonaccrual Loans (c)	Purchased Impaired	Total Loans
December 31, 2013									
Commercial	$ 87,621	$ 81	$ 20	$ 42	$ 143	$ 457		$ 157	$ 88,378
Commercial real estate	20,090	54	11	2	67	518		516	21,191
Equipment lease financing	7,538	31	2		33	5			7,576
Home equity (d)	32,877	86	34		120	1,139		2,311	36,447
Residential real estate (d) (e)	9,311	217	87	1,060	1,364	904	$ 365	3,121	15,065
Credit card	4,339	29	19	34	82	4			4,425
Other consumer (d) (f)	21,788	216	112	353	681	61		1	22,531
Total	$183,564	$ 714	$ 285	$1,491	$ 2,490	$ 3,088	$ 365	$ 6,106	$195,613
Percentage of total loans	93.83%	.37%	.15%	.76%	1.28%	1.58%	.19%	3.12%	100.00%
December 31, 2012									
Commercial	$ 81,930	$ 115	$ 55	$ 42	$ 212	$ 590		$ 308	$ 83,040
Commercial real estate	16,735	100	57	15	172	807		941	18,655
Equipment lease financing	7,214	17	1	2	20	13			7,247
Home equity	32,174	117	58		175	951		2,620	35,920
Residential real estate (e)	8,464	278	146	1,901	2,325	845	$ 70	3,536	15,240
Credit card	4,205	34	23	36	93	5			4,303
Other consumer (f)	20,663	258	131	355	744	43		1	21,451
Total	$171,385	$ 919	$ 471	$2,351	$ 3,741	$ 3,254	$ 70	$ 7,406	$185,856
Percentage of total loans	92.21%	.49%	.25%	1.26%	2.00%	1.75%	.05%	3.99%	100.00%

(a) Amounts in table represent recorded investment and exclude loans held for sale.

(b) Past due loan amounts exclude purchased impaired loans, 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.

(c) Consumer loans accounted for under the fair value option for which we do not expect to collect substantially all principal and interest are subject to nonaccrual accounting and classification upon meeting any of our nonaccrual policies. Given that these loans are not accounted for at amortized cost, these loans have been excluded from the nonperforming loan population.

(d) Pursuant to alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, accruing consumer loans past due 30 – 59 days decreased $44 million, accruing consumer loans past due 60 – 89 days decreased $36 million and accruing consumer loans past due 90 days or more decreased $315 million, of which $295 million related to Residential real estate government insured loans. As part of this alignment, these loans were moved into nonaccrual status.

(e) Past due loan amounts at December 31, 2013 include government insured or guaranteed Residential real estate mortgages totaling $.1 billion for 30 to 59 days past due, $.1 billion for 60 to 89 days past due and $1.0 billion for 90 days or more past due. Past due loan amounts at December 31, 2012 include government insured or guaranteed Residential real estate mortgages totaling $.1 billion for 30 to 59 days past due, $.1 billion for 60 to 89 days past due and $1.9 billion for 90 days or more past due.

(f) Past due loan amounts at December 31, 2013 include government insured or guaranteed Other consumer loans totaling $.2 billion for 30 to 59 days past due, $.1 billion for 60 to 89 days past due and $.3 billion for 90 days or more past due. Past due loan amounts at December 31, 2012 include government insured or guaranteed Other consumer loans totaling $.2 billion for 30 to 59 days past due, $.1 billion for 60 to 89 days past due and $.3 billion for 90 days or more past due.

Table 64: Nonperforming Assets

Dollars in millions	December 31 2013	December 31 2012
Nonperforming loans		
Commercial lending		
Commercial	$ 457	$ 590
Commercial real estate	518	807
Equipment lease financing	5	13
Total commercial lending	980	1,410
Consumer lending (a)		
Home equity (b)	1,139	951
Residential real estate (b)	904	845
Credit card	4	5
Other consumer (b)	61	43
Total consumer lending	2,108	1,844
Total nonperforming loans (c)	3,088	3,254
OREO and foreclosed assets		
Other real estate owned (OREO) (d)	360	507
Foreclosed and other assets	9	33
Total OREO and foreclosed assets	369	540
Total nonperforming assets	$ 3,457	$ 3,794
Nonperforming loans to total loans	1.58%	1.75%
Nonperforming assets to total loans, OREO and foreclosed assets	1.76	2.04
Nonperforming assets to total assets	1.08	1.24
Interest on nonperforming loans		
Computed on original terms	163	212
Recognized prior to nonperforming status	30	30

(a) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.

(b) Pursuant to alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, nonperforming home equity loans increased $214 million, nonperforming residential mortgage loans increased $187 million and nonperforming other consumer loans increased $25 million. Charge-offs were taken on these loans where the fair value less costs to sell the collateral was less than the recorded investment of the loan and were $134 million.

(c) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.

(d) OREO excludes $245 million and $380 million at December 31, 2013 and December 31, 2012, respectively, related to residential real estate that was acquired by us upon foreclosure of serviced loans because they are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

Nonperforming loans also include certain loans whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. In accordance with applicable accounting guidance, these loans are considered TDRs. See Note 1 Accounting Policies and the TDR section of this Note 5 for additional information. For the year ended December 31, 2013, $2.3 billion of loans held for sale, loans accounted for under the fair value option, pooled purchased impaired loans, as well as certain consumer government insured or guaranteed loans which were evaluated for TDR consideration, are not classified as TDRs. The comparable amount for the year ended December 31, 2012 was $3.1 billion.

Total nonperforming loans in the nonperforming assets table above include TDRs of $1.5 billion at December 31, 2013 and $1.6 billion at December 31, 2012. TDRs that are performing (accruing) totaled $1.1 billion and $1.0 billion at December 31, 2013 and December 31, 2012, respectively, and are excluded from nonperforming loans. Generally, these loans have demonstrated a period of at least six months of consecutive performance under the restructured terms. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status. At December 31, 2013 and December 31, 2012, remaining commitments to lend additional funds to debtors in a commercial or consumer TDR were immaterial.

Additional Asset Quality Indicators

We have two overall portfolio segments – Commercial Lending and Consumer Lending. Each of these two segments is comprised of multiple loan classes. Classes are characterized by similarities in initial measurement, risk attributes and the manner in which we monitor and assess credit risk. The commercial segment is comprised of the commercial, commercial real estate, equipment lease financing, and commercial purchased impaired loan classes. The consumer segment is comprised of the home equity, residential real estate, credit card, other consumer, and consumer purchased impaired loan classes. Asset quality indicators for each of these loan classes are discussed in more detail below.

COMMERCIAL LENDING ASSET CLASSES

COMMERCIAL LOAN CLASS

For commercial loans, we monitor the performance of the borrower in a disciplined and regular manner based upon the level of credit risk inherent in the loan. To evaluate the level of credit risk, we assign an internal risk rating reflecting the borrower's PD and LGD. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process on an ongoing basis. These ratings are reviewed and updated on a risk-adjusted basis, generally at least once per year. Additionally, no less frequently than on an annual basis, we update PD rates related to each rating grade based upon internal historical data, augmented by market data. For small balance homogenous pools of commercial loans, mortgages and leases, we apply statistical modeling to assist in determining the probability of default within these pools. Further, on a periodic basis, we update our LGD estimates associated with each rating grade based upon historical data. The combination of the PD and LGD ratings assigned to a commercial loan, capturing both the combination of expectations of default and loss severity in event of default, reflects the relative estimated likelihood of loss for that loan at the reporting date. In general, loans with better PD and LGD tend to have a lower likelihood of loss compared to loans with worse PD and LGD, which tend to have a higher likelihood of loss. The loss amount also considers exposure at date of default, which we also periodically update based upon historical data.

Based upon the amount of the lending arrangement and our risk rating assessment, we follow a formal schedule of written periodic review. On a quarterly basis, we conduct formal reviews of a market's or business unit's entire loan portfolio, focusing on those loans which we perceive to be of higher risk, based upon PDs and LGDs, or loans for which credit quality is weakening. If circumstances warrant, it is our practice to review any customer obligation and its level of credit risk more frequently. We attempt to proactively manage our loans by using various procedures that are customized to the risk of a given loan, including ongoing outreach, contact, and assessment of obligor financial conditions, collateral inspection and appraisal.

COMMERCIAL REAL ESTATE LOAN CLASS

We manage credit risk associated with our commercial real estate projects and commercial mortgage activities similar to commercial loans by analyzing PD and LGD. Additionally, risks connected with commercial real estate projects and commercial mortgage activities tend to be correlated to the loan structure and collateral location, project progress and business environment. As a result, these attributes are also monitored and utilized in assessing credit risk.

As with the commercial class, a formal schedule of periodic review is performed to also assess market/geographic risk and business unit/industry risk. Often as a result of these overviews, more in-depth reviews and increased scrutiny are placed on areas of higher risk, including adverse changes in risk ratings, deteriorating operating trends, and/or areas that concern management. These reviews are designed to assess risk and take actions to mitigate our exposure to such risks.

EQUIPMENT LEASE FINANCING LOAN CLASS

We manage credit risk associated with our equipment lease financing class similar to commercial loans by analyzing PD and LGD.

Based upon the dollar amount of the lease and of the level of credit risk, we follow a formal schedule of periodic review. Generally, this occurs on a quarterly basis, although we have established practices to review such credit risk more frequently if circumstances warrant. Our review process entails analysis of the following factors: equipment value/residual value, exposure levels, jurisdiction risk, industry risk, guarantor requirements, and regulatory compliance.

COMMERCIAL PURCHASED IMPAIRED LOAN CLASS

The credit impacts of purchased impaired loans are primarily determined through the estimation of expected cash flows. Commercial cash flow estimates are influenced by a number of credit related items, which include but are not limited to: estimated collateral value, receipt of additional collateral, secondary trading prices, circumstances of possible and/or ongoing liquidation, capital availability, business operations and payment patterns.

We attempt to proactively manage these factors by using various procedures that are customized to the risk of a given loan. These procedures include a review by our Special Asset Committee (SAC), ongoing outreach, contact, and assessment of obligor financial conditions, collateral inspection and appraisal.

See Note 6 Purchased Loans for additional information.

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Table 65: Commercial Lending Asset Quality Indicators (a)

		Criticized Commercial Loans			
In millions	Pass Rated (b)	Special Mention (c)	Substandard (d)	Doubtful (e)	Total Loans
December 31, 2013					
Commercial	$ 83,903	$ 1,894	$ 2,352	$ 72	$ 88,221
Commercial real estate	19,175	301	1,113	86	20,675
Equipment lease financing	7,403	77	93	3	7,576
Purchased impaired loans	10	31	469	163	673
Total commercial lending (f) (g)	$110,491	$ 2,303	$ 4,027	$ 324	$117,145
December 31, 2012					
Commercial	$ 78,048	$ 1,939	$ 2,600	$ 145	$ 82,732
Commercial real estate	14,898	804	1,802	210	17,714
Equipment lease financing	7,062	68	112	5	7,247
Purchased impaired loans	49	60	852	288	1,249
Total commercial lending (f)	$100,057	$ 2,871	$ 5,366	$ 648	$108,942

(a) Based upon PDs and LGDs.
(b) Pass Rated loans include loans not classified as "Special Mention", "Substandard", or "Doubtful".
(c) Special Mention rated loans have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects at some future date. These loans do not expose us to sufficient risk to warrant a more adverse classification at this time.
(d) Substandard rated loans have a well-defined weakness or weaknesses that jeopardize the collection or liquidation of debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.
(e) Doubtful rated loans possess all the inherent weaknesses of a Substandard loan with the additional characteristics that the weakness makes collection or liquidation in full improbable due to existing facts, conditions, and values.
(f) Loans are included above based on their contractual terms as "Pass", "Special Mention", "Substandard" or "Doubtful".
(g) We refined our process for categorizing commercial loans in the second quarter of 2013 in order to apply a split rating classification to certain loans meeting threshold criteria. By assigning split classifications, a loan's exposure amount may be split into more than one classification category in the above table.

CONSUMER LENDING ASSET CLASSES

HOME EQUITY AND RESIDENTIAL REAL ESTATE LOAN CLASSES

We use several credit quality indicators, including delinquency information, nonperforming loan information, updated credit scores, originated and updated LTV ratios, and geography, to monitor and manage credit risk within the home equity and residential real estate loan classes. We evaluate mortgage loan performance by source originators and loan servicers. A summary of asset quality indicators follows:

Delinquency/Delinquency Rates: We monitor trending of delinquency/delinquency rates for home equity and residential real estate loans. See the Asset Quality section of this Note 5 for additional information.

Nonperforming Loans: We monitor trending of nonperforming loans for home equity and residential real estate loans. See the Asset Quality section of this Note 5 for additional information.

Credit Scores: We use a national third-party provider to update FICO credit scores for home equity loans and lines of credit and residential real estate loans on at least a quarterly basis. The updated scores are incorporated into a series of credit management reports, which are utilized to monitor the risk in the loan classes.

LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions): At least semi-annually, we update the property values of real estate collateral and calculate an updated LTV ratio. For open-end credit lines secured by real estate in regions experiencing significant declines in property values, more frequent valuations may occur. We examine LTV migration and stratify LTV into categories to monitor the risk in the loan classes.

Historically, we used, and we continue to use, a combination of original LTV and updated LTV for internal risk management reporting and risk management purposes (*e.g.*, line management, loss mitigation strategies). In addition to the fact that estimated property values by their nature are estimates, given certain data limitations it is important to note that updated LTVs may be based upon management's assumptions (*e.g.*, if an updated LTV is not provided by the third-party service provider, home price index (HPI) changes will be incorporated in arriving at management's estimate of updated LTV).

Geography: Geographic concentrations are monitored to evaluate and manage exposures. Loan purchase programs are sensitive to, and focused within, certain regions to manage geographic exposures and associated risks.

A combination of updated FICO scores, originated and updated LTV ratios and geographic location assigned to home equity loans and lines of credit and residential real estate loans is used to monitor the risk in the loan classes. Loans with higher FICO scores and lower LTVs tend to have a lower level of risk. Conversely, loans with lower FICO scores, higher LTVs, and in certain geographic locations tend to have a higher level of risk.

In the first quarter of 2013, we refined our process for the Home Equity and Residential Real Estate Asset Quality Indicators shown in the following tables. These refinements include, but are not limited to, improvements in the process for determining lien position and LTV in both Table 67 and Table 68. Additionally, as of the first quarter of 2013, we are now presenting Table 67 at recorded investment as opposed to our prior presentation of outstanding balance. Table 68 continues to be presented at outstanding balance. Both the 2013 and 2012 period end balance disclosures are presented in the below tables using this refined process.

CONSUMER PURCHASED IMPAIRED LOAN CLASS

Estimates of the expected cash flows primarily determine the credit impacts of consumer purchased impaired loans. Consumer cash flow estimates are influenced by a number of credit related items, which include, but are not limited to: estimated real estate values, payment patterns, updated FICO scores, the current economic environment, updated LTV ratios and the date of origination. These key factors are monitored to help ensure that concentrations of risk are mitigated and cash flows are maximized.

See Note 6 Purchased Loans for additional information.

Table 66: Home Equity and Residential Real Estate Balances

In millions	December 31 2013	December 31 2012
Home equity and residential real estate loans – excluding purchased impaired loans (a)	$ 44,376	$ 42,725
Home equity and residential real estate loans – purchased impaired loans (b)	5,548	6,638
Government insured or guaranteed residential real estate mortgages (a)	1,704	2,279
Purchase accounting adjustments – purchased impaired loans	(116)	(482)
Total home equity and residential real estate loans (a)	$ 51,512	$ 51,160

(a) Represents recorded investment.
(b) Represents outstanding balance.

Table 67: Home Equity and Residential Real Estate Asset Quality Indicators – Excluding Purchased Impaired Loans (a) (b)

December 31, 2013 – in millions	Home Equity 1st Liens	Home Equity 2nd Liens	Residential Real Estate	Total
Current estimated LTV ratios (c)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 438	$ 1,914	$ 563	$ 2,915
Less than or equal to 660 (d) (e)	74	399	185	658
Missing FICO	1	11	20	32
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	987	2,794	1,005	4,786
Less than or equal to 660 (d) (e)	150	501	210	861
Missing FICO	2	5	32	39
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	1,047	1,916	844	3,807
Less than or equal to 660	134	298	131	563
Missing FICO	2	3	22	27
Less than 90% and updated FICO scores:				
Greater than 660	13,445	7,615	6,309	27,369
Less than or equal to 660	1,349	1,009	662	3,020
Missing FICO	25	17	256	298
Missing LTV and updated FICO scores:				
Greater than 660			1	1
Total home equity and residential real estate loans	$17,654	$ 16,482	$ 10,240	$44,376

December 31, 2012 – in millions	Home Equity 1st Liens	Home Equity 2nd Liens	Residential Real Estate	Total
Current estimated LTV ratios (c)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 470	$ 2,772	$ 667	$ 3,909
Less than or equal to 660 (d) (e)	84	589	211	884
Missing FICO	1	10	19	30
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	1,027	3,636	1,290	5,953
Less than or equal to 660 (d) (e)	159	641	253	1,053
Missing FICO	3	6	45	54
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	1,056	2,229	1,120	4,405
Less than or equal to 660	130	319	164	613
Missing FICO	1	5	23	29
Less than 90% and updated FICO scores:				
Greater than 660	10,736	7,255	4,701	22,692
Less than or equal to 660	1,214	921	621	2,756
Missing FICO	23	13	269	305
Missing LTV and updated FICO scores:				
Missing FICO			42	42
Total home equity and residential real estate loans	$ 14,904	$ 18,396	$ 9,425	$42,725

(a) Excludes purchased impaired loans of approximately $5.4 billion and $6.2 billion in recorded investment, certain government insured or guaranteed residential real estate mortgages of approximately $1.7 billion and $2.3 billion, and loans held for sale at December 31, 2013 and December 31, 2012, respectively. See the Home Equity and Residential Real Estate Asset Quality Indicators – Purchased Impaired Loans table below for additional information on purchased impaired loans.

(b) Amounts shown represent recorded investment.

(c) Based upon updated LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions). Updated LTV are estimated using modeled property values. These ratios are updated at least semi-annually. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models (AVMs), HPI indices, property location, internal and external balance information, origination data and management assumptions. In cases where we are in an originated second lien position, we generally utilize origination balances provided by a third-party which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of these calculations do not represent actual appraised loan level collateral or updated LTV based upon a current first lien balance, and as such, are necessarily imprecise and subject to change as we enhance our methodology. In the second quarter of 2013, we enhanced our CLTV determination process by further refining the data and correcting certain methodological inconsistencies. As a result, the amounts in the December 31, 2012 table were updated during the second quarter of 2013.

(d) Higher risk loans are defined as loans with both an updated FICO score of less than or equal to 660 and an updated LTV greater than or equal to 100%.

(e) The following states had the highest percentage of higher risk loans at December 31, 2013: New Jersey 13%, Illinois 12%, Pennsylvania 12%, Ohio 11%, Florida 9%, Maryland 5%, Michigan 5%, and California 4%. The remainder of the states had lower than 4% of the higher risk loans individually, and collectively they represent approximately 29% of the higher risk loans. The following states had the highest percentage of higher risk loans at December 31, 2012: New Jersey 14%, Illinois 11%, Pennsylvania 11%, Ohio 10%, Florida 9%, California 6%, Maryland 6%, and Michigan 5%. The remainder of the states had lower than 4% of the high risk loans individually, and collectively they represent approximately 28% of the higher risk loans.

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Table 68: Home Equity and Residential Real Estate Asset Quality Indicators – Purchased Impaired Loans (a)

	Home Equity (b) (c)		Residential Real Estate (b) (c)	
December 31, 2013 – in millions	1st Liens	2nd Liens		Total
Current estimated LTV ratios (d)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 13	$ 435	$ 361	$ 809
Less than or equal to 660	15	215	296	526
Missing FICO		12	24	36
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	21	516	373	910
Less than or equal to 660	15	239	281	535
Missing FICO		14	14	28
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	15	202	197	414
Less than or equal to 660	12	101	163	276
Missing FICO		7	6	13
Less than 90% and updated FICO scores:				
Greater than 660	93	261	646	1,000
Less than or equal to 660	126	198	590	914
Missing FICO	1	11	47	59
Missing LTV and updated FICO scores:				
Greater than 660	1		11	12
Less than or equal to 660			13	13
Missing FICO			3	3
Total home equity and residential real estate loans	$ 312	$ 2,211	$ 3,025	$5,548

	Home Equity (b) (c)		Residential Real Estate (b) (c)	
December 31, 2012 – in millions	1st Liens	2nd Liens		Total
Current estimated LTV ratios (d)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 17	$ 791	$ 597	$1,405
Less than or equal to 660	17	405	498	920
Missing FICO		23	46	69
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	26	552	435	1,013
Less than or equal to 660	20	269	383	672
Missing FICO		18	23	41
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	14	140	216	370
Less than or equal to 660	14	99	182	295
Missing FICO		7	11	18
Less than 90% and updated FICO scores:				
Greater than 660	86	174	589	849
Less than or equal to 660	142	163	598	903
Missing FICO	2	8	39	49
Missing LTV and updated FICO scores:				
Greater than 660			18	18
Less than or equal to 660			7	7
Missing FICO			9	9
Total home equity and residential real estate loans	$ 338	$ 2,649	$ 3,651	$6,638

(a) Amounts shown represent outstanding balance. See Note 6 Purchased Loans for additional information.

(b) For the estimate of cash flows utilized in our purchased impaired loan accounting, other assumptions and estimates are made, including amortization of first lien balances, pre-payment rates, etc., which are not reflected in this table.

(c) The following states had the highest percentage of purchased impaired loans at December 31, 2013: California 17%, Florida 16%, Illinois 11%, Ohio 8%, North Carolina 8%, and Michigan 5%. The remainder of the states had lower than a 4% concentration of purchased impaired loans individually, and collectively they represent approximately 35% of the purchased impaired portfolio. The following states had the highest percentage of purchased impaired loans at December 31, 2012: California 18%, Florida 15%, Illinois 12%, Ohio 7%, North Carolina 6% and Michigan 5%. The remainder of the states had lower than a 4% concentration of purchased impaired loans individually, and collectively they represent approximately 37% of the purchased impaired portfolio.

(d) Based upon updated LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions). Updated LTV are estimated using modeled property values. These ratios are updated at least semi-annually. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models (AVMs), HPI indices, property location, internal and external balance information, origination data and management assumptions. In cases where we are in an originated second lien position, we generally utilize origination balances provided by a third-party which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of these calculations do not represent actual appraised loan level collateral or updated LTV based upon a current first lien balance, and as such, are necessarily imprecise and subject to change as we enhance our methodology. In the second quarter of 2013, we enhanced our CLTV determination process by further refining the data and correcting certain methodological inconsistencies. As a result, the amounts in the December 31, 2012 table were updated during the second quarter of 2013.

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CREDIT CARD AND OTHER CONSUMER LOAN CLASSES

We monitor a variety of asset quality information in the management of the credit card and other consumer loan classes. Other consumer loan classes include education, automobile, and other secured and unsecured lines and loans. Along with the trending of delinquencies and losses for each class, FICO credit score updates are generally obtained on a monthly basis, as well as a variety of credit bureau attributes. Loans with high FICO scores tend to have a lower likelihood of loss. Conversely, loans with low FICO scores tend to have a higher likelihood of loss.

Table 69: Credit Card and Other Consumer Loan Classes Asset Quality Indicators

	Credit Card (a)		Other Consumer (b)	
Dollars in millions	Amount	% of Total Loans Using FICO Credit Metric	Amount	% of Total Loans Using FICO Credit Metric
December 31, 2013				
FICO score greater than 719	$2,380	54%	$ 8,596	63%
650 to 719	1,198	27	3,511	26
620 to 649	194	4	527	4
Less than 620	246	6	628	4
No FICO score available or required (c)	407	9	474	3
Total loans using FICO credit metric	4,425	100%	13,736	100%
Consumer loans using other internal credit metrics (b)			8,795	
Total loan balance	$4,425		$22,531	
Weighted-average updated FICO score (d)		729		741
December 31, 2012				
FICO score greater than 719	$2,247	52%	$ 7,006	60%
650 to 719	1,169	27	2,896	25
620 to 649	188	5	459	4
Less than 620	271	6	602	5
No FICO score available or required (c)	428	10	741	6
Total loans using FICO credit metric	4,303	100%	11,704	100%
Consumer loans using other internal credit metrics (b)			9,747	
Total loan balance	$4,303		$21,451	
Weighted-average updated FICO score (d)		726		739

(a) At December 31, 2013, we had $34 million of credit card loans that are higher risk (i.e., loans with both updated FICO scores less than 660 and in late stage (90+ days) delinquency status). The majority of the December 31, 2013 balance related to higher risk credit card loans is geographically distributed throughout the following areas: Ohio 18%, Pennsylvania 17%, Michigan 11%, Illinois 7%, New Jersey 7%, Indiana 6%, Florida 6% and Kentucky 4%. All other states had less than 4% individually and make up the remainder of the balance. At December 31, 2012, we had $36 million of credit card loans that are higher risk. The majority of the December 31, 2012 balance related to higher risk credit card loans is geographically distributed throughout the following areas: Ohio 18%, Pennsylvania 14%, Michigan 12%, Illinois 8%, Indiana 6%, Florida 6%, New Jersey 5%, Kentucky 4% and North Carolina 4%. All other states had less than 3% individually and make up the remainder of the balance.

(b) Other consumer loans for which updated FICO scores are used as an asset quality indicator include non-government guaranteed or insured education loans, automobile loans and other secured and unsecured lines and loans. Other consumer loans for which other internal credit metrics are used as an asset quality indicator include primarily government guaranteed or insured education loans, as well as consumer loans to high net worth individuals. Other internal credit metrics may include delinquency status, geography or other factors.

(c) Credit card loans and other consumer loans with no FICO score available or required refers to new accounts issued to borrowers with limited credit history, accounts for which we cannot obtain an updated FICO (*e.g.*, recent profile changes), cards issued with a business name, and/or cards secured by collateral. Management proactively assesses the risk and size of this loan portfolio and, when necessary, takes actions to mitigate the credit risk.

(d) Weighted-average updated FICO score excludes accounts with no FICO score available or required.

TROUBLED DEBT RESTRUCTURINGS (TDRS)

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities, and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization, and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. In those situations where principal is forgiven, the amount of such principal forgiveness is immediately charged off.

Some TDRs may not ultimately result in the full collection of principal and interest, as restructured, and result in potential incremental losses. These potential incremental losses have been factored into our overall ALLL estimate. The level of any subsequent defaults will likely be affected by future economic conditions. Once a loan becomes a TDR, it will continue to be reported as a TDR until it is ultimately repaid in full, the collateral is foreclosed upon, or it is fully charged off. We held specific reserves in the ALLL of $.5 billion and $.6 billion at December 31, 2013 and December 31, 2012, respectively, for the total TDR portfolio.

Table 70: Summary of Troubled Debt Restructurings

In millions	Dec. 31 2013	Dec. 31 2012
Total consumer lending	$2,161	$2,318
Total commercial lending	578	541
Total TDRs	$2,739	$2,859
Nonperforming	$1,511	$1,589
Accruing (a)	1,062	1,037
Credit card	166	233
Total TDRs	$2,739	$2,859

(a) Accruing loans have demonstrated a period of at least six months of performance under the restructured terms and are excluded from nonperforming loans. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status.

Table 71 quantifies the number of loans that were classified as TDRs as well as the change in the recorded investments as a result of the TDR classification during 2013, 2012 and 2011. Additionally, the table provides information about the types of TDR concessions. The Principal Forgiveness TDR category includes principal forgiveness and accrued interest forgiveness. These types of TDRs result in a write down of the recorded investment and a charge-off if such action has not already taken place. The Rate Reduction TDR category includes reduced interest rate and interest deferral. The TDRs within this category would result in reductions to future interest income. The Other TDR category primarily includes consumer borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC, as well as postponement/reduction of scheduled amortization and contractual extensions for both consumer and commercial borrowers.

In some cases, there have been multiple concessions granted on one loan. This is most common within the commercial loan portfolio. When there have been multiple concessions granted in the commercial loan portfolio, the principal forgiveness TDR was prioritized for purposes of determining the inclusion in the table below. For example, if there is principal forgiveness in conjunction with lower interest rate and postponement of amortization, the type of concession will be reported as Principal Forgiveness. Second in priority would be rate reduction. For example, if there is an interest rate reduction in conjunction with postponement of amortization, the type of concession will be reported as a Rate Reduction. In the event that multiple concessions are granted on a consumer loan, concessions resulting from discharge from personal liability through Chapter 7 bankruptcy without formal affirmation of the loan obligations to PNC would be prioritized and included in the Other type of concession in the table below. After that, consumer loan concessions would follow the previously discussed priority of concessions for the commercial loan portfolio.

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Table 71: Financial Impact and TDRs by Concession Type (a)

			Post-TDR Recorded Investment (c)			
During the year ended December 31, 2013 Dollars in millions	Number of Loans	Pre-TDR Recorded Investment (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial lending						
Commercial	168	$ 216	$ 10	$ 21	$132	$ 163
Commercial real estate	116	284	28	51	144	223
Equipment lease financing	1	3				
Total commercial lending	285	503	38	72	276	386
Consumer lending						
Home equity	4,132	289		139	126	265
Residential real estate	911	127		39	86	125
Credit card	8,397	64		61		61
Other consumer	1,379	22		1	19	20
Total consumer lending	14,819	502		240	231	471
Total TDRs	15,104	$ 1,005	$ 38	$ 312	$507	$ 857
During the year ended December 31, 2012 Dollars in millions						
Commercial lending						
Commercial (d)	220	$ 335	$ 19	$ 58	$206	$ 283
Commercial real estate (d)	68	244	19	77	121	217
Equipment lease financing (d)	1	1			1	1
Total commercial lending	289	580	38	135	328	501
Consumer lending						
Home equity	4,813	313		200	110	310
Residential real estate	754	147		60	83	143
Credit card	13,306	93		90		90
Other consumer	835	20		2	19	21
Total consumer lending	19,708	573		352	212	564
Total TDRs	19,997	$ 1,153	$ 38	$ 487	$540	$1,065
During the year ended December 31, 2011 (e) Dollars in millions						
Commercial lending						
Commercial	599	$ 129	$ 19	$ 33	$ 60	$ 112
Commercial real estate	78	286	83	123	54	260
Equipment lease financing (f)	2	1				
Total commercial lending	679	416	102	156	114	372
Consumer lending						
Home equity	4,013	321		281	39	320
Residential real estate	1,590	376		236	115	351
Credit card	11,761	87		84		84
Other consumer	472	13		1	12	13
Total consumer lending	17,836	797		602	166	768
Total TDRs	18,515	$ 1,213	$ 102	$ 758	$280	$1,140

(a) Impact of partial charge-offs at TDR date are included in this table.
(b) Represents the recorded investment of the loans as of the quarter end prior to TDR designation, and excludes immaterial amounts of accrued interest receivable.
(c) Represents the recorded investment of the TDRs as of the quarter end the TDR occurs, and excludes immaterial amounts of accrued interest receivable.
(d) Certain amounts within the Commercial lending portfolio for 2012 were reclassified to conform to the presentation in 2013.
(e) Includes loans modified during 2011 that were determined to be TDRs under the requirements of ASU 2011-02, which was adopted on July 1, 2011 and applied to all modifications entered into on and after January 1, 2011.
(f) During 2011, the Post-TDR amounts for the Equipment lease financing loan class totaled less than $1 million.

TDRs may result in charge-offs and interest income not being recognized. At or around the time of modification, the amount of principal balance of the TDRs charged off during the year ended December 31, 2013 was not material. A financial effect of rate reduction TDRs is that interest income is not recognized. Interest income not recognized that otherwise would have been earned in 2013 and 2012, related to both commercial TDRs and consumer TDRs, was not material.

Pursuant to regulatory guidance issued in the third quarter of 2012, management compiled TDR information related to changes in treatment of certain loans where a borrower has been discharged from personal liability in bankruptcy and has not formally reaffirmed its loan obligation to PNC. Because of the timing of the compilation of the TDR information and the fact that it covers several periods, $366 million of TDRs, net of $128 million of charge-offs, related to this new regulatory guidance, has not been reflected as part of the year ended December 31, 2012 activity included in Table 71 and 72. This information has been reflected in period end balance disclosures for the year ended December 31, 2012.

Allowance for loan losses has declined as a result of the increase in identified loans where a borrower has been discharged from personal liability in bankruptcy and has not formally reaffirmed its loan obligation to PNC which have been classified as TDRs. These loans have been charged off to collateral value less costs to sell, and any associated allowance at the time of charge-off was reduced to zero. Therefore, the charge-off activity resulted in a reduction to the allowance in prior periods, as well as the difference in pre-TDR recorded investment to the post-TDR recorded investment reflected in Table 71. As the change in treatment was adopted, incremental provision for credit losses was recorded if the related loan charge-off exceeded the associated allowance. In future periods, subsequent declines in collateral value for these loans will be charged off.

After a loan is determined to be a TDR, we continue to track its performance under its most recent restructured terms. In Table 72, we consider a TDR to have subsequently defaulted when it becomes 60 days past due after the most recent date the loan was restructured. The following table presents the recorded investment of loans that were classified as TDRs or were subsequently modified during each 12-month period prior to the reporting periods preceding January 1, 2013 and January 1, 2012, respectively, and subsequently defaulted during these reporting periods.

Table 72: TDRs which have Subsequently Defaulted

During the year ended December 31, 2013 Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	67	$ 47
Commercial real estate	38	59
Total commercial lending (a)	105	106
Consumer lending		
Home equity	1,420	89
Residential real estate	824	115
Credit card	4,598	34
Other consumer	278	4
Total consumer lending	7,120	242
Total TDRs	7,225	$ 348

During the year ended December 31, 2012 Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial (b)	112	$ 67
Commercial real estate (b)	42	69
Equipment lease financing	1	1
Total commercial lending	155	137
Consumer lending		
Home equity	542	50
Residential real estate	482	70
Credit card	4,551	32
Other consumer	118	4
Total consumer lending	5,693	156
Total TDRs	5,848	$ 293

During the year ended December 31, 2011 (c) Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	37	$ 57
Commercial real estate	41	136
Total commercial lending (a)	78	193
Consumer lending		
Home equity	1,166	90
Residential real estate	421	93
Credit card	5,012	33
Other consumer	47	1
Total consumer lending	6,646	217
Total TDRs	6,724	$ 410

(a) During 2013 and 2011, there were no loans classified as TDRs in the Equipment lease financing loan class that have subsequently defaulted.
(b) Certain amounts within the 2012 Commercial lending portfolio were reclassified during the fourth quarter of 2013.
(c) Includes loans modified during 2011 that were determined to be TDRs under the requirements of ASU 2011-02, which was adopted on July 1, 2011 and applied to all modifications entered into on and after January 1, 2011.

The impact to the ALLL for commercial lending TDRs is the effect of moving to the specific reserve methodology from the quantitative reserve methodology for those loans that were not already put on nonaccrual status. There is an impact to the ALLL as a result of the concession made, which generally results in the expectation of reduced future cash flows. The decline in expected cash flows, consideration of collateral value, and/or the application of a present value discount rate, when compared to the recorded investment, results in a charge-off or increased ALLL. As TDRs are individually evaluated under the specific reserve methodology, which builds in expectations of future performance, subsequent defaults do not generally have a significant additional impact to the ALLL.

For consumer lending TDRs, except TDRs resulting from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC, the ALLL is calculated using a discounted cash flow model, which leverages subsequent default, prepayment, and severity rate assumptions based upon historically observed data. Similar to the commercial lending specific reserve methodology, the reduced expected cash flows resulting from the concessions granted impact the consumer lending ALLL. The decline in expected cash flows due to the application of a present value discount rate or the consideration of collateral value, when compared to the recorded investment, results in increased ALLL or a charge-off.

IMPAIRED LOANS

Impaired loans include commercial nonperforming loans and consumer and commercial TDRs, regardless of nonperforming status. Excluded from impaired loans are nonperforming leases, loans held for sale, loans accounted for under the fair value option, smaller balance homogeneous type loans and purchased impaired loans. See Note 6 Purchased Loans for additional information. Nonperforming equipment lease financing loans of $5 million and $12 million at December 31, 2013 and December 31, 2012, respectively, are excluded from impaired loans pursuant to authoritative lease accounting guidance. We did not recognize any interest income on impaired loans that have not returned to performing status, while they were impaired during the year ended December 31, 2013 and December 31, 2012. The following table provides further detail on impaired loans individually evaluated for impairment and the associated ALLL. Certain commercial impaired loans and loans to consumers discharged from bankruptcy and not formally reaffirmed do not have a related ALLL as the valuation of these impaired loans exceeded the recorded investment.

Table 73: Impaired Loans

In millions	Unpaid Principal Balance	Recorded Investment (a)	Associated Allowance (b)	Average Recorded Investment (a)
December 31, 2013				
Impaired loans with an associated allowance				
Commercial	$ 549	$ 400	$ 90	$ 442
Commercial real estate	517	349	89	478
Home equity	999	992	334	900
Residential real estate	573	436	74	645
Credit card	166	166	36	189
Other consumer	71	57	2	68
Total impaired loans with an associated allowance	$ 2,875	$ 2,400	$ 625	$ 2,722
Impaired loans without an associated allowance				
Commercial	$ 309	$ 163		$ 161
Commercial real estate	421	315		354
Home equity	366	124		166
Residential real estate	415	386		267
Total impaired loans without an associated allowance	$ 1,511	$ 988		$ 948
Total impaired loans	$ 4,386	$ 3,388	$ 625	$ 3,670
December 31, 2012 (c)				
Impaired loans with an associated allowance				
Commercial	$ 824	$ 523	$ 150	$ 653
Commercial real estate	851	594	143	778
Home equity	1,070	1,013	328	851
Residential real estate	778	663	168	700
Credit card	204	204	48	227
Other consumer	104	86	3	63
Total impaired loans with an associated allowance	$ 3,831	$ 3,083	$ 840	$ 3,272
Impaired loans without an associated allowance				
Commercial	$ 362	$ 126		$ 157
Commercial real estate	562	355		400
Home equity	169	121		40
Residential real estate	316	231		77
Total impaired loans without an associated allowance	$ 1,409	$ 833		$ 674
Total impaired loans	$ 5,240	$ 3,916	$ 840	$ 3,946

(a) Recorded investment in a loan includes the unpaid principal balance plus accrued interest and net accounting adjustments, less any charge-offs. Recorded investment does not include any associated valuation allowance. Average recorded investment is for the year ended December 31, 2013 and the year ended December 31, 2012, respectively.

(b) Associated allowance amounts include $.5 billion and $.6 billion for TDRs at December 31, 2013 and December 31, 2012, respectively.

(c) Certain impaired loan balances at December 31, 2012 were reclassified from Impaired loans with an associated allowance to Impaired loans without an associated allowance to reflect those loans that had been identified as of December 31, 2012 as loans where a borrower has been discharged from personal liability in bankruptcy and has not formally reaffirmed its loan obligation to PNC and the loans were subsequently charged-off to collateral value less costs to sell. This presentation is consistent with updated processes in effect as of March 31, 2013.

NOTE 6 PURCHASED LOANS

PURCHASED IMPAIRED LOANS

Purchased impaired loan accounting addresses differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. Several factors were considered when evaluating whether a loan was considered a purchased impaired loan, including the delinquency status of the loan, updated borrower credit status, geographic information, and updated loan-to-values (LTV). GAAP allows purchasers to aggregate purchased impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Purchased impaired homogeneous consumer, residential real estate and smaller balance commercial loans with common risk characteristics are aggregated into pools where appropriate. Commercial loans with a total commitment greater than a defined threshold are accounted for individually. The excess of undiscounted cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized as 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. Subsequent changes in the expected cash flows of individual or pooled purchased impaired loans from the date of acquisition will either impact the accretable yield or result in an impairment charge to provision for credit losses in the period in which the changes become probable. Decreases to the net present value of expected cash flows will generally result in an impairment charge recorded as a 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.

The following table provides purchased impaired loans at December 31, 2013 and December 31, 2012:

Table 74: Purchased Impaired Loans – Balances

	December 31, 2013			December 31, 2012		
In millions	Outstanding Balance	Recorded Investment	Carrying Value	Outstanding Balance	Recorded Investment	Carrying Value
Commercial lending						
Commercial	$ 282	$ 157	$ 131	$ 524	$ 308	$ 276
Commercial real estate	655	516	409	1,156	941	734
Total commercial lending	937	673	540	1,680	1,249	1,010
Consumer lending						
Consumer	2,523	2,312	1,971	2,988	2,621	2,336
Residential real estate	3,025	3,121	2,591	3,651	3,536	2,963
Total consumer lending	5,548	5,433	4,562	6,639	6,157	5,299
Total	$ 6,485	$ 6,106	$ 5,102	$ 8,319	$ 7,406	$ 6,309

During 2013, $11 million of provision and $104 million of charge-offs were recorded on purchased impaired loans. The comparative amounts for 2012 were $173 million and $74 million, respectively. At December 31, 2013, the allowance for loan and lease losses was $1.0 billion on $5.2 billion of purchased impaired loans while the remaining $.9 billion of purchased impaired loans required no allowance as the net present value of expected cash flows equaled or exceeded the recorded investment. As of December 31, 2012, the allowance for loan and lease losses related to purchased impaired loans was $1.1 billion. If any allowance for loan losses is recognized on a purchased impaired pool, which is accounted for as a single asset, the entire balance of that pool would be disclosed as requiring an allowance. 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/or a reclassification from non-accretable difference to accretable yield, which will be recognized prospectively. Disposals of loans, which may include sales of loans or foreclosures, result in removal of the loans for cash flow estimation purposes. The cash flow re-estimation process is completed quarterly to evaluate the appropriateness of the allowance associated with the purchased impaired loans.

Activity for the accretable yield during 2013 follows:

Table 75: Purchased Impaired Loans – Accretable Yield

In millions	2013	2012
January 1	$2,166	$2,109
Addition of accretable yield due to RBC Bank (USA) acquisition on March 2, 2012		587
Accretion (including excess cash recoveries)	(695)	(828)
Net reclassifications to accretable from non-accretable (a)	613	327
Disposals	(29)	(29)
December 31	$2,055	$2,166

(a) Approximately 63% of the net reclassifications for the year were within the consumer portfolio primarily due to increases in the expected average life of residential and home equity loans. The remaining net reclassifications were predominantly due to future cash flow improvements within the commercial portfolio.

NOTE 7 ALLOWANCES FOR LOAN AND LEASE LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We maintain the ALLL and the Allowance for Unfunded Loan Commitments and Letters of Credit at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the portfolios as of the balance sheet date. We use the two main portfolio segments – Commercial Lending and Consumer Lending – and we develop and document the ALLL under separate methodologies for each of these segments as further discussed and presented below.

ALLOWANCE FOR LOAN AND LEASE LOSSES COMPONENTS

For all loans, except purchased impaired loans, the ALLL is the sum of three components: (i) asset specific/individual impaired reserves, (ii) quantitative (formulaic or pooled) reserves and (iii) qualitative (judgmental) reserves. See Note 6 Purchased Loans for additional ALLL information. The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions are periodically updated.

ASSET SPECIFIC/INDIVIDUAL COMPONENT

Commercial nonperforming loans and all TDRs are considered impaired and are evaluated for a specific reserve. See Note 1 Accounting Policies for additional information.

COMMERCIAL LENDING QUANTITATIVE COMPONENT

The estimates of the quantitative component of ALLL for incurred losses within the commercial lending portfolio segment are determined through statistical loss modeling utilizing PD, LGD and outstanding balance of the loan. Based upon loan risk ratings, we assign PDs and LGDs. Each of these statistical parameters is determined based on internal historical data and market data. PD is influenced by such factors as liquidity, industry, obligor financial structure, access to capital and cash flow. LGD is influenced by collateral type, original and/or updated LTV and guarantees by related parties.

CONSUMER LENDING QUANTITATIVE COMPONENT

Quantitative estimates within the consumer lending portfolio segment are calculated using a roll-rate model based on statistical relationships, calculated from historical data that estimate the movement of loan outstandings through the various stages of delinquency and ultimately charge-off.

QUALITATIVE COMPONENT

While our reserve methodologies strive to reflect all relevant risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes. We provide additional reserves that are designed to provide coverage for losses attributable to such risks. The ALLL also includes factors that may not be directly measured in the determination of specific or pooled reserves. Such qualitative factors may include:

- Industry concentrations and conditions,
- Recent credit quality trends,
- Recent loss experience in particular portfolios,
- Recent macro-economic factors,
- Model imprecision,
- Changes in lending policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Limitations of available historical data.

ALLOWANCE FOR PURCHASED NON-IMPAIRED LOANS

ALLL for purchased non-impaired loans is determined based upon a comparison between the methodologies described above and the remaining acquisition date fair value discount that has yet to be accreted into interest income. After making the comparison, an ALLL is recorded for the amount greater than the discount, or no ALLL is recorded if the discount is greater.

ALLOWANCE FOR PURCHASED IMPAIRED LOANS

ALLL for purchased impaired loans is determined in accordance with ASC 310-30 by comparing the net present value of the cash flows expected to be collected to the recorded investment for a given loan (or pool of loans). In cases where the net present value of expected cash flows is lower than the recorded investment, ALLL is established. Cash flows expected to be collected represent management's best estimate of the cash flows expected over the life of a loan (or pool of loans). For large balance commercial loans, cash flows are separately estimated and compared to the Recorded Investment at the loan level. For smaller balance pooled loans, cash flows are estimated using cash flow models and compared at the risk pool level, which was defined at acquisition based on the risk characteristics of the loan. Our cash flow models use loan data including, but not limited to, delinquency status of the loan, updated borrower FICO credit scores, geographic information, historical loss experience, and updated LTVs, as well as best estimates for unemployment rates, home prices and other economic factors, to determine estimated cash flows.

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Table 76: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data

In millions	Commercial Lending	Consumer Lending	Total
December 31, 2013			
Allowance for Loan and Lease Losses			
January 1	$ 1,774	$ 2,262	$ 4,036
Charge-offs	(606)	(982)	(1,588)
Recoveries	357	154	511
Net charge-offs	(249)	(828)	(1,077)
Provision for credit losses	36	607	643
Net change in allowance for unfunded loan commitments and letters of credit	(13)	21	8
Other	(1)		(1)
December 31	$ 1,547	$ 2,062	$ 3,609
TDRs individually evaluated for impairment	$ 24	$ 446	$ 470
Other loans individually evaluated for impairment	155		155
Loans collectively evaluated for impairment	1,235	745	1,980
Purchased impaired loans	133	871	1,004
December 31	$ 1,547	$ 2,062	$ 3,609
Loan Portfolio			
TDRs individually evaluated for impairment	$ 578	$ 2,161	$ 2,739
Other loans individually evaluated for impairment	649		649
Loans collectively evaluated for impairment (a)	115,245	70,874	186,119
Purchased impaired loans	673	5,433	6,106
December 31	$117,145	$78,468	$195,613
Portfolio segment ALLL as a percentage of total ALLL	43%	57%	100%
Ratio of the allowance for loan and lease losses to total loans	1.32%	2.63%	1.84%
December 31, 2012			
Allowance for Loan and Lease Losses			
January 1	$ 1,995	$ 2,352	$ 4,347
Charge-offs	(804)	(1,066)	(1,870)
Recoveries	445	136	581
Net charge-offs	(359)	(930)	(1,289)
Provision for credit losses	138	849	987
Net change in allowance for unfunded loan commitments and letters of credit	(1)	(9)	(10)
Other	1		1
December 31	$ 1,774	$ 2,262	$ 4,036
TDRs individually evaluated for impairment	$ 40	$ 547	$ 587
Other loans individually evaluated for impairment	253		253
Loans collectively evaluated for impairment	1,242	857	2,099
Purchased impaired loans	239	858	1,097
December 31	$ 1,774	$ 2,262	$ 4,036
Loan Portfolio			
TDRs individually evaluated for impairment	$ 541	$ 2,318	$ 2,859
Other loans individually evaluated for impairment	1,057		1,057
Loans collectively evaluated for impairment	106,095	68,439	174,534
Purchased impaired loans	1,249	6,157	7,406
December 31	$108,942	$76,914	$185,856
Portfolio segment ALLL as a percentage of total ALLL	44%	56%	100%
Ratio of the allowance for loan and lease losses to total loans	1.63%	2.94%	2.17%

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Table 76: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data
(continued from previous page)

In millions	Commercial Lending	Consumer Lending	Total
December 31, 2011			
Allowance for Loan and Lease Losses			
January 1	$ 2,567	$ 2,320	$ 4,887
Charge-offs	(1,199)	(1,065)	(2,264)
Recoveries	487	138	625
Net charge-offs	(712)	(927)	(1,639)
Provision for credit losses	177	975	1,152
Net change in allowance for unfunded loan commitments and letters of credit	(36)	(16)	(52)
Other	(1)		(1)
December 31	$ 1,995	$ 2,352	$ 4,347
TDRs individually evaluated for impairment	$ 39	$ 541	$ 580
Other loans individually evaluated for impairment	520		520
Loans collectively evaluated for impairment	1,207	1,042	2,249
Purchased impaired loans	229	769	998
December 31	$ 1,995	$ 2,352	$ 4,347
Loan Portfolio			
TDRs individually evaluated for impairment	$ 405	$ 1,798	$ 2,203
Other loans individually evaluated for impairment	1,890		1,890
Loans collectively evaluated for impairment	85,167	63,087	148,254
Purchased impaired loans	852	5,815	6,667
December 31	$ 88,314	$70,700	$159,014
Portfolio segment ALLL as a percentage of total ALLL	46%	54%	100%
Ratio of the allowance for loan and lease losses to total loans	2.26%	3.33%	2.73%

(a) Includes $252 million of loans collectively evaluated for impairment based upon collateral values and written down to the respective collateral value less costs to sell. Accordingly, there is no allowance recorded for these loans.

Net interest income less the provision for credit losses was $8.5 billion for 2013 compared with $8.7 billion for 2012 and $7.5 billion for 2011.

ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable credit losses on these unfunded credit facilities as of the balance sheet date. See Note 1 Accounting Policies for additional information.

Table 77: Rollforward of Allowance for Unfunded Loan Commitments and Letters of Credit

In millions	2013	2012	2011
January 1	$250	$240	$188
Net change in allowance for unfunded loan commitments and letters of credit	(8)	10	52
December 31	$242	$250	$240

NOTE 8 INVESTMENT SECURITIES

Table 78: Investment Securities Summary

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2013				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$ 3,990	$ 135	$ (7)	$ 4,118
Residential mortgage-backed				
Agency	22,669	384	(222)	22,831
Non-agency	5,457	308	(160)	5,605
Commercial mortgage-backed				
Agency	632	15	(1)	646
Non-agency	3,937	123	(18)	4,042
Asset-backed	5,754	66	(48)	5,772
State and municipal	2,609	52	(44)	2,617
Other debt	2,506	55	(18)	2,543
Total debt securities	47,554	1,138	(518)	48,174
Corporate stocks and other	434		(1)	433
Total securities available for sale	$ 47,988	$1,138	$ (519)	$48,607
SECURITIES HELD TO MATURITY (a)				
Debt securities				
U.S. Treasury and government agencies	$ 239	$ 8	$ (4)	$ 243
Residential mortgage-backed				
Agency	5,814	71	(64)	5,821
Non-agency	293		(4)	289
Commercial mortgage-backed				
Agency	1,251	49		1,300
Non-agency	1,687	20	(5)	1,702
Asset-backed	1,009	2	(10)	1,001
State and municipal	1,055	10	(4)	1,061
Other debt	339	9		348
Total securities held to maturity	$ 11,687	$ 169	$ (91)	$11,765
December 31, 2012				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$ 2,868	$ 245		$ 3,113
Residential mortgage-backed				
Agency	25,844	952	$ (12)	26,784
Non-agency	6,102	314	(309)	6,107
Commercial mortgage-backed				
Agency	602	31		633
Non-agency	3,055	210	(1)	3,264
Asset-backed	5,667	65	(79)	5,653
State and municipal	2,197	111	(21)	2,287
Other debt	2,745	103	(4)	2,844
Total debt securities	49,080	2,031	(426)	50,685
Corporate stocks and other	367			367
Total securities available for sale	$ 49,447	$2,031	$ (426)	$51,052
SECURITIES HELD TO MATURITY (a)				
Debt securities				
U.S. Treasury and government agencies	$ 230	$ 47		$ 277
Residential mortgage-backed (agency)	4,380	202		4,582
Commercial mortgage-backed				
Agency	1,287	87		1,374
Non-agency	2,582	85		2,667
Asset-backed	858	5		863
State and municipal	664	61		725
Other debt	353	19		372
Total securities held to maturity	$ 10,354	$ 506		$10,860

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Table 78: Investment Securities Summary
(continued from previous page)

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2011				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$ 3,369	$ 348		$ 3,717
Residential mortgage-backed				
Agency	26,081	772	$ (61)	26,792
Non-agency	6,673	152	(1,268)	5,557
Commercial mortgage-backed				
Agency	1,101	39		1,140
Non-agency	2,693	80	(17)	2,756
Asset-backed	3,854	31	(216)	3,669
State and municipal	1,779	75	(47)	1,807
Other debt	2,691	83	(12)	2,762
Total debt securities	48,241	1,580	(1,621)	48,200
Corporate stocks and other	368			368
Total securities available for sale	$ 48,609	$1,580	$(1,621)	$48,568
SECURITIES HELD TO MATURITY (a)				
Debt securities				
U.S. Treasury and government agencies	$ 221	$ 40		$ 261
Residential mortgage-backed (agency)	4,761	131	$ (1)	4,891
Commercial mortgage-backed				
Agency	1,332	50		1,382
Non-agency	3,467	108	(2)	3,573
Asset-backed	1,251	14	(3)	1,262
State and municipal	671	31		702
Other debt	363	16		379
Total securities held to maturity	$ 12,066	$ 390	$ (6)	$12,450

(a) Held to maturity securities transferred from available for sale are included in held to maturity at fair value at the time of transfer. The amortized cost of held to maturity securities included net unrealized gains of $111 million, $142 million and $179 million at December 31, 2013, 2012 and 2011, respectively, related to securities transferred, which are offset in Accumulated Other Comprehensive Income, net of tax.

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. Securities held to maturity are carried at amortized cost. At December 31, 2013, Accumulated other comprehensive income included pretax gains of $69 million from derivatives that hedged the purchase of investment securities classified as held to maturity. The gains will be accreted into interest income as an adjustment of yield on the securities.

During 2013, we transferred securities with a fair value of $1.9 billion from available for sale to held to maturity. The securities transferred included $.9 billion of agency residential mortgage-backed securities, $.3 billion of non-agency residential mortgage backed securities, $.3 billion of non-agency commercial mortgage-backed securities and $.4 billion of state and municipal securities. The non-agency mortgage-backed and state and municipal securities were predominately AAA-equivalent. In addition, the non-agency residential mortgage-backed securities were 2013 originations. We changed our intent and committed to hold these high-quality securities to maturity in order to reduce the impact of price volatility on Accumulated other comprehensive income and certain capital measures, taking into consideration market conditions and changes to regulatory capital requirements under Basel III capital standards. The securities were reclassified at fair value at the time of transfer and the transfer represented a non-cash transaction. Accumulated other comprehensive income included net pretax unrealized gains of $11 million at transfer, which are being accreted over the remaining life of the related securities as an adjustment of yield in a manner consistent with the amortization of the net premium on the same transferred securities, resulting in no impact on net income.

Table 79 presents gross unrealized losses on securities available for sale at December 31, 2013 and December 31, 2012. 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 that 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 income (loss).

Table 79: Gross Unrealized Loss and Fair Value of Securities Available for Sale

	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
In millions	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
December 31, 2013						
Debt securities						
U.S. Treasury and government agencies	$ (7)	$ 1,066			$ (7)	$ 1,066
Residential mortgage-backed						
Agency	(210)	7,950	$ (12)	$ 293	(222)	8,243
Non-agency	(18)	855	(142)	1,719	(160)	2,574
Commercial mortgage-backed						
Agency	(1)	23			(1)	23
Non-agency	(18)	1,315		14	(18)	1,329
Asset-backed	(11)	1,752	(37)	202	(48)	1,954
State and municipal	(23)	897	(21)	286	(44)	1,183
Other debt	(17)	844	(1)	12	(18)	856
Total debt securities	(305)	14,702	(213)	2,526	(518)	17,228
Corporate stocks and other	(1)	15			(1)	15
Total	$ (306)	$14,717	$ (213)	$ 2,526	$ (519)	$17,243
December 31, 2012						
Debt securities						
Residential mortgage-backed						
Agency	$ (9)	$ 1,128	$ (3)	$ 121	$ (12)	$ 1,249
Non-agency	(3)	219	(306)	3,185	(309)	3,404
Commercial mortgage-backed						
Non-agency	(1)	60			(1)	60
Asset-backed	(1)	370	(78)	625	(79)	995
State and municipal	(2)	240	(19)	518	(21)	758
Other debt	(2)	61	(2)	15	(4)	76
Total	$ (18)	$ 2,078	$ (408)	$ 4,464	$ (426)	$ 6,542

The gross unrealized loss on debt securities held to maturity was $98 million at December 31, 2013 and less than $1 million at December 31, 2012. The majority of the gross unrealized loss at December 31, 2013 related to agency residential mortgage-backed securities. The fair value of debt securities held to maturity that were in a continuous loss position for less than 12 months was $3.6 billion and $73 million at December 31, 2013 and December 31, 2012, respectively, and positions that were in a continuous loss position for 12 months or more were $48 million and $56 million at December 31, 2013 and December 31, 2012, respectively. For securities transferred to held to maturity from available for sale, the unrealized loss for purposes of this analysis is determined by comparing the security's original amortized cost to its current estimated fair value.

EVALUATING INVESTMENT SECURITIES FOR OTHER-THAN-TEMPORARY IMPAIRMENTS

For the securities in the preceding Table 79, as of December 31, 2013 we do not intend to sell and believe we will not 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. For those securities in an unrealized loss position we 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 income (loss).

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. Results of the periodic assessment are reviewed by a cross-functional senior management team representing Asset & Liability Management, Finance, and Market 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.

Substantially all of the credit impairment we have recognized relates to non-agency residential mortgage-backed securities and asset-backed securities collateralized by first-lien and second-lien non-agency residential mortgage loans. Potential credit losses on these securities are evaluated on a security-by-security basis. Collateral performance assumptions are developed for each security after reviewing collateral composition and collateral performance statistics. This includes analyzing recent delinquency roll rates, loss severities, voluntary prepayments and various other collateral and performance metrics. This information is then combined with general expectations on the housing market, employment and other macroeconomic factors to develop estimates of future performance.

Security level assumptions for prepayments, loan defaults and loss given default are applied to each non-agency residential mortgage-backed security and asset-backed security collateralized by first-lien and second-lien non-agency residential mortgage loans using a third-party cash flow model. The third-party cash flow model then generates projected cash flows according to the structure of each security. Based on the results of the cash flow analysis, we determine whether we expect that we will recover the amortized cost basis of our security.

The following table provides detail on the significant assumptions used to determine credit impairment for non-agency residential mortgage-backed and asset-backed securities collateralized by first-lien and second-lien non-agency residential mortgage loans.

Table 80: Credit Impairment Assessment Assumptions – Non-Agency Residential Mortgage-Backed and Asset-Backed Securities

December 31, 2013	Range	Weighted-average (a)
Long-term prepayment rate (annual CPR)		
Prime	7 – 20%	13%
Alt-A	5 – 12	6
Option ARM	3 – 6	3
Remaining collateral expected to default		
Prime	1 – 39%	15%
Alt-A	7 – 56	31
Option ARM	17 – 61	42
Loss severity		
Prime	25 – 70%	42%
Alt-A	30 – 82	57
Option ARM	40 – 80	60

(a) Calculated by weighting the relevant assumption for each individual security by the current outstanding cost basis of the security.

During 2013, 2012 and 2011, respectively, the OTTI credit losses recognized in Noninterest income and the OTTI noncredit losses recognized in Accumulated other comprehensive income (loss), net of tax, on securities that we do not expect to sell were as follows:

Table 81: Other-Than-Temporary Impairments

Year ended December 31 In millions	2013	2012	2011
Credit portion of OTTI losses			
Available for sale securities:			
Non-agency residential mortgage-backed	$(10)	$ (99)	$(130)
Asset-backed	(6)	(11)	(21)
Other debt		(1)	(1)
Total credit portion of OTTI losses	(16)	(111)	(152)
Noncredit portion of OTTI losses	2	32	(268)
Total OTTI Losses	$(14)	$ (79)	$(420)

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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 income (loss).

Table 82: Rollforward of Cumulative OTTI Credit Losses Recognized in Earnings

Year ended December 31 In millions	2013	2012
Balance at beginning of period	$(1,201)	$(1,091)
Loss where impairment was not previously recognized		(10)
Additional loss where credit impairment was previously recognized	(16)	(101)
Reduction due to credit impaired securities sold or matured	57	1
Balance at end of period	$(1,160)	$(1,201)

Information relating to gross realized securities gains and losses from the sales of securities is set forth in the following table.

Table 83: Gains (Losses) on Sales of Securities Available for Sale

In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Tax Expense
For the year ended December 31					
2013	$ 8,178	$146	$ (47)	$ 99	$ 35
2012	9,441	214	(10)	204	71
2011	21,039	406	(157)	249	87

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at December 31, 2013.

Table 84: Contractual Maturity of Debt Securities

December 31, 2013 Dollars in millions	1 Year or Less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
SECURITIES AVAILABLE FOR SALE					
U.S. Treasury and government agencies	$ 1	$ 1,152	$ 2,674	$ 163	$ 3,990
Residential mortgage-backed					
Agency		72	489	22,108	22,669
Non-agency		10	1	5,446	5,457
Commercial mortgage-backed					
Agency	66	430	36	100	632
Non-agency		58	54	3,825	3,937
Asset-backed	32	973	2,335	2,414	5,754
State and municipal	7	117	349	2,136	2,609
Other debt	459	1,301	475	271	2,506
Total debt securities available for sale	$ 565	$ 4,113	$ 6,413	$36,463	$47,554
Fair value	$ 570	$ 4,209	$ 6,524	$36,871	$48,174
Weighted-average yield, GAAP basis	3.01%	2.49%	2.36%	3.16%	2.99%
SECURITIES HELD TO MATURITY					
U.S. Treasury and government agencies				$ 239	$ 239
Residential mortgage-backed					
Agency				5,814	5,814
Non-agency				293	293
Commercial mortgage-backed					
Agency		$ 938	$ 308	5	1,251
Non-agency		6		1,681	1,687
Asset-backed			64	945	1,009
State and municipal		36	457	562	1,055
Other debt			339		339
Total debt securities held to maturity		$ 980	$ 1,168	$ 9,539	$11,687
Fair value	$ 1	$ 1,017	$ 1,196	$ 9,551	$11,765
Weighted-average yield, GAAP basis	2.42%	3.24%	3.73%	3.64%	3.62%

Based on current interest rates and expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio (excluding corporate stocks and other) was 4.9 years at December 31, 2013 and 4.0 years at December 31, 2012. The weighted-average expected maturity of mortgage and other asset-backed debt securities were as follows as of December 31, 2013:

Table 85: Weighted-Average Expected Maturity of Mortgage and Other Asset-Backed Debt Securities

December 31, 2013	Years
Agency residential mortgage-backed securities	5.0
Non-agency residential mortgage-backed securities	5.8
Agency commercial mortgage-backed securities	3.9
Non-agency commercial mortgage-backed securities	3.0
Asset-backed securities	3.6

Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security. At December 31, 2013, there were no securities of a single issuer, other than FNMA, that exceeded 10% of Total shareholders' equity.

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

Table 86: Fair Value of Securities Pledged and Accepted as Collateral

In millions	December 31 2013	December 31 2012
Pledged to others	$ 18,772	$ 25,648
Accepted from others:		
Permitted by contract or custom to sell or repledge	1,571	1,015
Permitted amount repledged to others	1,343	685

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. Total securities pledged to others decreased due primarily to the issuance of $6.2 billion in standby letters of credit on our behalf by the FHLB-Pittsburgh to secure certain public deposits previously collateralized with securities.

NOTE 9 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 that would be paid to transfer a liability on the measurement date. GAAP focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between 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

Fair value is determined using a quoted price in an active market 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 U.S. Treasury securities that are actively traded in over-the-counter markets.

Level 2

Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. 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.

Level 3

Fair value is estimated using unobservable inputs 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 services, pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as other instruments for which the determination of fair value requires significant management judgment or estimation.

Certain assets which have been adjusted due to impairment are accounted for at either fair value or lower of amortized cost or fair value on a nonrecurring basis and consist primarily of certain nonaccrual loans, loans held for sale, commercial mortgage servicing rights, equity investments and other assets. These assets which are generally classified as Level 3 are included in Table 90 in this Note 9.

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 that 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 Risk Management Committee reviews significant models on at least an annual basis. In addition, we have teams, independent of the traders, which verify marks and assumptions used for valuations at each period end.

Assets and liabilities measured at fair value, by their nature, result in a higher degree of financial statement volatility. Assets and liabilities classified within Level 3 inherently require the use of various assumptions, estimates and judgments when measuring their fair value. As observable market activity is commonly not available to use when estimating the fair value of Level 3 assets and liabilities, we must estimate fair value using various modeling techniques. These techniques include the use of a variety of inputs/assumptions including credit quality, liquidity, interest rates or other relevant inputs across the entire population of our Level 3 assets and liabilities. Changes in the significant underlying factors or assumptions (either an increase or a decrease) in any of these areas underlying our estimates may result in a significant increase/decrease in the Level 3 fair value measurement of a particular asset and/or liability from period to period.

FINANCIAL INSTRUMENTS ACCOUNTED FOR AT FAIR VALUE ON A RECURRING BASIS

SECURITIES AVAILABLE FOR SALE AND TRADING SECURITIES

Securities accounted for at fair value include both the available for sale and trading portfolios. We primarily use prices obtained from pricing services, dealer quotes, or recent trades to determine the fair value of securities. As of December 31, 2013, 81% of the positions in these portfolios were priced by using pricing services provided by third-party vendors. The third-party vendors use a variety of methods when pricing securities that incorporate relevant market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. One of the vendor's prices are set with reference to market activity for highly liquid assets such as U.S. Treasury and agency securities and agency residential mortgage-backed securities, and matrix pricing for other asset classes, such as commercial mortgage and other asset-backed securities. Another vendor primarily uses discounted cash flow pricing models considering adjustments for spreads and prepayments for the instruments we value using this service, such as non-agency residential mortgage-backed securities, agency adjustable rate mortgage securities, agency collateralized mortgage obligations (CMOs), commercial mortgage-backed securities and municipal bonds. The vendors we use provide pricing services on a global basis and have quality management processes in place to monitor the integrity of the valuation inputs and the prices provided to users, including procedures to consider and incorporate information received from pricing service users who may challenge a price. We monitor and validate the reliability of vendor pricing on an ongoing basis through pricing methodology reviews, by performing detailed reviews of the assumptions and inputs used by the vendor to price individual securities, and through price validation testing. Price validation testing is performed independent of the risk-taking function and involves corroborating the prices received from third-party vendors with prices from another third-party source, by reviewing valuations of comparable instruments, by comparison to internal valuations, or by reference to recent sales of similar securities. Securities not priced by one of our pricing vendors may be valued using a dealer quote. Dealer quotes received are typically non-binding. Securities priced using a dealer quote are subject to corroboration either with another dealer quote, by comparison to similar securities priced by either a third-party vendor or another dealer, or through internal valuation in order to validate that the quote is representative of the market. Security prices are also validated through actual cash settlement upon sale of a security.

A cross-functional team comprised of representatives from Asset & Liability Management, Finance, and Market Risk Management oversees the governance of the processes and methodologies used to estimate the fair value of securities and the price validation testing that is performed. This management team reviews pricing sources and trends and the results of validation testing.

Securities are classified within the fair value hierarchy after giving consideration to the activity level in the market for the security type and the observability of the inputs used to determine the fair value. When a quoted price in an active market exists for the identical security, this price is used to determine fair value and the security is classified within Level 1 of the hierarchy. Level 1 securities include certain U.S. Treasury securities and exchange traded equities. When a quoted price in an active market for the identical security is not available, fair value is estimated using either an alternative market approach, such as a recent trade or matrix pricing, or an income approach, such as a discounted cash flow pricing model. If the inputs to the valuation are based primarily on market observable information, then the security is classified within Level 2 of the hierarchy. Level 2 securities include agency debt securities, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities, certain non-agency residential mortgage-backed securities, asset-backed securities collateralized by non-mortgage-related consumer loans, municipal securities, and other debt securities. Level 2 securities are predominantly priced by third parties, either a pricing vendor or dealer.

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In certain cases where there is limited activity or less transparency around the inputs to the valuation, securities are classified within Level 3 of the hierarchy. Securities classified as Level 3 consist primarily of non-agency residential mortgage-backed and asset-backed securities collateralized by first- and second-lien residential mortgage loans. Fair value for these securities is primarily estimated using pricing obtained from third-party vendors. In some cases, fair value is estimated using a dealer quote, by reference to prices of securities of a similar vintage and collateral type or by reference to recent sales of similar securities. Market activity for these security types is limited with little price transparency. As a result, these securities are generally valued by the third-party vendor using a discounted cash flow approach that incorporates observable market activity where available. Significant inputs to the valuation include prepayment projections and credit loss assumptions (default rate and loss severity) and discount rates that are deemed representative of current market conditions. The discount rates used incorporate a spread over the benchmark curve that takes into consideration liquidity risk and potential credit risk not already included in the credit loss assumptions. Significant increases (decreases) in any of those assumptions in isolation would result in a significantly lower (higher) fair value measurement. Prepayment estimates generally increase when market interest rates decline and decrease when market interest rates rise. Credit loss estimates are driven by the ability of borrowers to pay their loans and housing market prices and are impacted by changes in overall macroeconomic conditions, typically increasing when economic conditions worsen and decreasing when conditions improve. An increase in the estimated prepayment rate typically results in a decrease in estimated credit losses and vice versa. Discount rates typically increase when market interest rates increase and/or credit and liquidity risks increase. Similarly, discount rates typically decrease when market interest rates decline and/or credit and liquidity conditions improve. Price validation procedures are performed and the results are reviewed for these Level 3 securities by a cross-functional Asset & Liability Management, Finance, and Market Risk Management team. Specific price validation procedures performed for these securities include comparing current prices to historical pricing trends by collateral type and vintage, comparing prices by product type to indicative pricing grids published by market makers, and by obtaining corroborating prices from another third-party source.

Certain infrequently traded debt securities within the State and municipal and Other debt securities available-for-sale and Trading securities categories are also classified in Level 3. The significant unobservable inputs used to estimate the fair value of these securities include an estimate of expected credit losses and a discount for liquidity risk. These inputs are incorporated into the fair value measurement by either increasing the spread over the benchmark curve or by applying a credit and liquidity discount to the par value of the security. Significant increases (decreases) in credit and/or liquidity risk could result in a significantly lower (higher) fair value estimate.

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 models. These derivatives are primarily classified as Level 2 as the readily observable market inputs to these models are validated to external sources. The external sources for these inputs include industry pricing services, or are corroborated through recent trades, dealer quotes, yield curves, implied volatility or other market-related data. Level 2 financial derivatives are primarily estimated using a combination of Eurodollar future prices and observable benchmark interest rate swaps to construct projected discounted cash flows. Financial derivatives that are priced using significant management judgment or assumptions are classified as Level 3.

Fair value information for Level 3 financial derivatives is presented separately for interest rate contracts and other contracts. Interest rate contracts include residential and commercial mortgage interest rate lock commitments and certain interest rate options. Other contracts include risk participation agreements and other types of contracts.

The fair value of residential mortgage loan commitment assets as of December 31, 2013 are included in the Insignificant Level 3 assets, net of liabilities line item in Table 89 in this Note 9. Significant unobservable inputs for residential mortgage loan commitments include the probability of funding and embedded servicing. The probability of funding for residential mortgage loan commitments represents the expected proportion of loan commitments in the pipeline that will fund. Additionally, embedded in the market price of the underlying loan is a value for retaining servicing of the loan once it is sold. Significant increases (decreases) in the fair value of a residential mortgage loan commitment asset (liability) result when the probability of funding increases (decreases) and when the embedded servicing value increases (decreases).

The fair value of commercial mortgage loan commitment assets and liabilities as of December 31, 2013 and 2012 are included in the Insignificant Level 3 assets, net of liabilities line item in Table 89 in this Note 9. Significant unobservable inputs for commercial mortgage loan commitments include spread over the benchmark U.S. Treasury interest rate and the embedded servicing value. The spread over the benchmark curve reflects management assumptions regarding credit and liquidity risks. Embedded servicing value reflects the estimated value for retaining the right to service the underlying loan once it is sold. Significant increases (decreases) in the fair value of commercial mortgage loan commitments result when the spread over the benchmark curve decreases (increases) or the embedded servicing value increases (decreases).

The fair value of interest rate option assets and liabilities as of December 31, 2013 and 2012 are included in the Insignificant Level 3 assets, net of liabilities line item in Table 89 in this Note 9. The significant unobservable input used in the fair value measurement of the interest rate options is expected interest rate volatility. Significant increases (decreases) in interest rate volatility would result in a significantly higher (lower) fair value measurement.

The fair value of risk participation agreement assets and liabilities as of December 31, 2013 and 2012 are included in the Insignificant Level 3 assets, net of liabilities line item in Table 89 in this Note 9. The significant unobservable inputs used in the fair value measurement of risk participation agreements are probability of default and loss severity. Significant increases (decreases) in probability of default and loss severity would result in a significantly higher (lower) fair value measurement.

Significant unobservable inputs for the other contracts for derivative liabilities as of December 31, 2012 include credit and liquidity discount and spread over the benchmark curve that are deemed representative of current market conditions. Significant increases (decreases) in these assumptions would result in significantly lower (higher) fair value measurement.

In connection with the sales of a portion of our Visa Class B common shares in 2013 and 2012, we entered into swap agreements with the purchaser of the shares to account for future changes in the value of the Class B common shares resulting from changes in the settlement of certain specified litigation and its effect on the conversion rate of Class B common shares into Visa Class A common shares and to make payments calculated by reference to the market price of the Class A common shares and a fixed rate of interest. The swaps are classified as Level 3 instruments and the fair values of the liability positions totaled $90 million at December 31, 2013 and $43 million at December 31, 2012, respectively. The fair values of the swap agreements are determined using a discounted cash flow methodology. The significant unobservable inputs to the valuations are estimated changes in the conversion rate of the Class B common shares into Class A common shares and the estimated growth rate of the Class A share price. A decrease in the conversion rate will have a negative impact on the fair value of the swaps and vice versa. Independent of changes in the conversion rate, an increase in the estimated growth rate of the Class A share price will have a negative impact on the fair value of the swaps and vice versa, through its impact on periodic payments due to the counterparty until the maturity dates of the swaps.

The fair values of our derivatives include a credit valuation adjustment (CVA) to reflect our own and our counterparties' nonperformance risk. Our CVA is computed using new loan pricing and considers externally available bond spreads, in conjunction with internal historical recovery observations.

Residential Mortgage Loans Held for Sale

We account for certain residential mortgage loans originated for sale at fair value on a recurring basis. The election of the fair value option aligns the accounting for the residential mortgages with the related hedges. Additionally, we have elected to account for loans repurchased due to breaches of representations and warranties 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. 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 given the relative insensitivity of the value to changes in these inputs to the fair value of the loans. Accordingly, the majority of residential mortgage loans held for sale are classified as Level 2. This category also includes repurchased and temporarily unsalable residential mortgage loans. These loans are repurchased due to a breach of representations and warranties in the loan sales agreement and typically occur after the loan is in default. The temporarily unsalable loans have an origination defect that makes them currently unable to be sold into the performing loan sales market. Because transaction details regarding sales of this type of loan are often unavailable, unobservable bid information from brokers and investors is heavily relied upon. Accordingly, based on the significance of unobservable inputs, these loans are classified as Level 3.

Trading Loans

We have elected to account for certain trading loans at fair value. The fair value for trading loans is based on pricing from average bid broker quotes received from a loan pricing service, sale commitments, or a model based on indications received in marketing the credit or on the loan's characteristics in comparison to market data on similar loans. These instruments are classified as Level 2.

RESIDENTIAL MORTGAGE SERVICING RIGHTS

Residential MSRs are carried at fair value on a recurring basis. Assumptions incorporated into the residential MSRs valuation model reflect management's best estimate of factors that a market participant would use in valuing the residential MSRs. Although sales of residential MSRs do occur, residential MSRs do not trade in an active, open market with readily observable prices so the precise terms and conditions of sales are not available. As a benchmark for the reasonableness of its residential MSRs fair value, PNC obtained opinions of value from independent parties ("brokers"). These brokers provided a range (+/- 10 bps) based upon their own discounted cash flow calculations of our portfolio that reflect conditions in the secondary market and any recently executed servicing transactions. PNC compares its internally-developed residential MSRs value to the ranges of values received from the brokers. If our residential MSRs fair value falls outside of the brokers' ranges, management will assess whether a valuation adjustment is warranted. For the periods presented, PNC's residential MSRs value did not fall outside of the brokers' ranges. We consider our residential MSRs value to represent a reasonable estimate of fair value. Due to the nature of the valuation inputs, residential MSRs are classified as Level 3.

The significant unobservable inputs used in the fair value measurement of residential MSRs are constant prepayment rates and spread over the benchmark curve. Significant increases (decreases) in prepayment rates and spread over the benchmark curve would result in lower (higher) fair market value of residential MSRs.

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.

We determine the fair value of commercial mortgage loans held for sale by using a discounted cash flow model. Fair value is determined using sale valuation assumptions that management believes a market participant would use in pricing the loans. When available, valuation assumptions include observable inputs based on the benchmark LIBOR interest rate swap curve and whole loan sales. The significant unobservable input is management's assumption of the spread applied to the benchmark rate. The spread over the benchmark curve includes management's assumptions of the impact of credit and liquidity risk. Significant increases (decreases) in the spread applied to the benchmark would result in a significantly lower (higher) asset value. The wide range of the spread over the benchmark curve is due to the varying risk and underlying property characteristics within our portfolio. 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. A multiple of adjusted earnings calculation is the valuation technique utilized most frequently and the multiple of earnings is the primary and most significant unobservable input used in such calculation. The multiple of earnings is utilized in conjunction with portfolio company financial results and our ownership interest in portfolio company securities to determine PNC's interest in the enterprise value of the portfolio company. Significant decreases (increases) in the multiple of earnings could result in a significantly lower (higher) fair value measurement. The magnitude of the change in fair value is dependent on the significance of the change in the multiple of earnings and the significance of portfolio company adjusted earnings. Valuation inputs or analysis are supported by portfolio company or market documentation. Due to the size, private and unique nature of each portfolio company, lack of liquidity and the long-term nature of investments, relevant benchmarking is not always feasible. A valuation committee reviews the portfolio company valuations on a quarterly basis and oversight is provided by senior management of the business.

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 that 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.

Loans
Loans accounted for at fair value consist primarily of residential mortgage loans. These loans are generally valued similarly to residential mortgage loans held for sale and are classified as Level 2. However, similar to residential mortgage loans held for sale, if these loans are repurchased and unsalable, they are classified as Level 3. In addition, repurchased VA loans, where only a portion of the principal will be reimbursed, are classified as Level 3. The fair value is determined using a discounted cash flow calculation based on our historical loss rate. Due to the unobservable nature of this pool level approach, these loans are classified as Level 3. Significant increases (decreases) in these assumptions would result in a significantly lower (higher) fair value measurement.

During the first quarter of 2013, we elected to account for certain home equity lines of credit at fair value. These loans are classified as Level 3. This category also includes repurchased brokered home equity loans. These loans are repurchased due to a breach of representations or warranties in the loan sales agreements and occur typically after the loan is in default. Similar to existing loans classified as Level 3 due to being repurchased and unsalable, the fair value price is based on bids and market observations of transactions of similar vintage. Because transaction details regarding the credit and underwriting quality are often unavailable, unobservable bid information from brokers and investors is heavily relied upon. Accordingly, based on the significance of unobservable inputs, these loans are classified as Level 3. The fair value of these loans is included in the Loans – Home equity line item in Table 89 in this Note 9.

Significant inputs to the valuation of residential mortgage loans include credit and liquidity discount, cumulative default rate, loss severity and gross discount rate and are deemed representative of current market conditions. Significant increases (decreases) in an assumption would result in a significantly lower (higher) fair value measurement.

BlackRock Series C Preferred Stock
We have elected to account for the shares of BlackRock Series C Preferred Stock received in a stock exchange with BlackRock at fair value. On January 31, 2013, we transferred 205,350 shares to BlackRock pursuant to our obligation to partially fund a portion of certain BlackRock LTIP programs. After this transfer, we hold approximately 1.3 million shares of BlackRock Series C Preferred Stock, which are available to fund our obligation in connection with the BlackRock LTIP programs. 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. Significant increases (decreases) in the liquidity discount would result in a significantly lower (higher) asset value for the BlackRock Series C and vice versa for the BlackRock LTIP liability.

Other Assets and Liabilities
We have entered into a prepaid forward contract with a financial institution to mitigate the risk on a portion of PNC's deferred compensation, supplemental incentive savings plan liabilities and certain stock based compensation awards that are based on PNC's stock price and are subject to market risk. The prepaid forward contract is initially valued at the transaction price and is subsequently valued by reference to the market price of PNC's stock and is recorded in either Other Assets or Other Liabilities at fair value and is classified in Level 2. In addition, deferred compensation and supplemental incentive savings plan participants may also invest based on fixed income and equity-based funds. PNC utilizes a Rabbi Trust to hedge the returns by purchasing similar funds on which the participant returns are based. The Rabbi Trust balances are recorded in Other Assets at fair value using the quoted market price. These assets are primarily being classified in Levels 1 and 2. The other asset category also includes FHLB interests and the retained interests related to the Small Business Administration (SBA) securitizations which are classified as Level 3. All Level 3 other assets are included in the Insignificant Level 3 assets, net of liabilities line item in Table 89 in this Note 9.

Other Borrowed Funds
During the first quarter of 2013, we elected to account for certain other borrowed funds consisting primarily of secured debt at fair value. These other borrowed funds are classified as Level 3. Significant unobservable inputs for these borrowed funds include credit and liquidity discount and spread over the benchmark curve. Significant increases (decreases) in these assumptions would result in significantly lower (higher) fair value measurement.

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

Table 87: Fair Value Measurements – Summary

	December 31, 2013				December 31, 2012			
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								
U.S. Treasury and government agencies	$3,460	$ 658		$ 4,118	$2,269	$ 844		$ 3,113
Residential mortgage-backed								
Agency		22,831		22,831		26,784		26,784
Non-agency		247	$ 5,358	5,605			$ 6,107	6,107
Commercial mortgage-backed								
Agency		646		646		633		633
Non-agency		4,042		4,042		3,264		3,264
Asset-backed		5,131	641	5,772		4,945	708	5,653
State and municipal		2,284	333	2,617		1,948	339	2,287
Other debt		2,505	38	2,543		2,796	48	2,844
Total debt securities	3,460	38,344	6,370	48,174	2,269	41,214	7,202	50,685
Corporate stocks and other	417	16		433	351	16		367
Total securities available for sale	3,877	38,360	6,370	48,607	2,620	41,230	7,202	51,052
Financial derivatives (a) (b)								
Interest rate contracts	25	4,540	34	4,599	5	8,326	101	8,432
Other contracts		192	2	194		131	5	136
Total financial derivatives	25	4,732	36	4,793	5	8,457	106	8,568
Residential mortgage loans held for sale (c)		1,307	8	1,315		2,069	27	2,096
Trading securities (d)								
Debt (e)	2,159	862	32	3,053	1,062	951	32	2,045
Equity	20			20	42	9		51
Total trading securities	2,179	862	32	3,073	1,104	960	32	2,096
Trading loans (a)		6		6		76		76
Residential mortgage servicing rights (f)			1,087	1,087			650	650
Commercial mortgage loans held for sale (c)			586	586			772	772
Equity investments (a)								
Direct investments			1,069	1,069			1,171	1,171
Indirect investments (g)			595	595			642	642
Total equity investments			1,664	1,664			1,813	1,813
Customer resale agreements (h)		207		207		256		256
Loans (i)		513	512	1,025		110	134	244
Other assets (a)								
BlackRock Series C Preferred Stock (j)			332	332			243	243
Other	209	184	8	401	283	194	9	486
Total other assets	209	184	340	733	283	194	252	729
Total assets	$6,290	$46,171	$10,635	$63,096	$4,012	$53,352	$10,988	$68,352
Liabilities								
Financial derivatives (b) (k)								
Interest rate contracts	$ 6	$ 3,307	$ 13	$ 3,326	$ 1	$ 6,105	$ 12	$ 6,118
BlackRock LTIP			332	332			243	243
Other contracts		182	94	276		128	121	249
Total financial derivatives	6	3,489	439	3,934	1	6,233	376	6,610
Trading securities sold short (l)								
Debt	1,341	1		1,342	731	10		741
Total trading securities sold short	1,341	1		1,342	731	10		741
Other borrowed funds			184	184				
Other liabilities						5		5
Total liabilities	$1,347	$ 3,490	$ 623	$ 5,460	$ 732	$ 6,248	$ 376	$ 7,356

(a) Included in Other assets on our Consolidated Balance Sheet.
(b) Amounts at December 31, 2013 and December 31, 2012 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. The net asset amounts were $1.7 billion at December 31, 2013 compared with $2.4 billion at December 31, 2012 and the net liability amounts were $.9 billion and $.6 billion, respectively.
(c) Included in Loans held for sale on our Consolidated Balance Sheet. PNC has elected the fair value option for certain residential and commercial mortgage loans held for sale.
(d) Fair value includes net unrealized gains of $11 million at December 31, 2013 compared with net unrealized gains of $59 million at December 31, 2012.
(e) Approximately 17% of these securities are residential mortgage-backed securities and 69% are U.S. Treasury and government agencies securities at December 31, 2013. Comparable amounts at December 31, 2012 were 25% and 52%, respectively.
(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, which we expect to occur over the next twelve years. The amount of unfunded contractual commitments related to indirect equity investments was $128 million and related to direct equity investments was $36 million as of December 31, 2013, respectively.
(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.
(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 2013 and 2012 follow.

Table 88: Reconciliation of Level 3 Assets and Liabilities

Year Ended December 31, 2013

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2012	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Fair Value Dec. 31, 2013	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Dec. 31, 2013 (c)
Assets											
Securities available for sale											
Residential mortgage-backed non-agency	$ 6,107	$ 189	$ 147				$ (1,085)			$ 5,358	$ (10)
Commercial mortgage-backed non-agency		3					(3)				
Asset-backed	708	9	53				(129)			641	(6)
State and municipal	339	1	2	$ 4			(13)			333	
Other debt	48			3	$ (10)		(3)			38	
Total securities available for sale	7,202	202	202	7	(10)		(1,233)			6,370	(16)
Financial derivatives	106	297		4			(369)		$ (2)	36	166
Residential mortgage loans held for sale	27	2		61	(3)		4	$ 13	(96)	8	2
Trading securities – Debt	32									32	
Residential mortgage servicing rights	650	366		110	(4)	$ 158	(193)			1,087	354
Commercial mortgage loans held for sale	772	(11)			(130)		(45)			586	(12)
Equity investments											
Direct investments	1,171	141		177	(420)					1,069	62
Indirect investments	642	81	(3)	26	(151)					595	76
Total equity investments	1,813	222	(3)	203	(571)					1,664	138
Loans	134	46		1	(1)		83	277	(28)	512	34
Other assets											
BlackRock Series C Preferred Stock	243	122					(33)			332	122
Other	9		(1)							8	
Total other assets	252	122	(1)				(33)			340	122
Total assets	$ 10,988	$ 1,246(e)	$ 198	$ 386	$(719)	$ 158	$ (1,786)	$ 290	$ (126)	$ 10,635	$ 788(f)
Liabilities											
Financial derivatives (d)	$ 376	$ 317			$ 2		$ (256)			$ 439	$ 181
Other borrowed funds		9					175			184	
Total liabilities	$ 376	$ 326(e)			$ 2		$ (81)			$ 623	$ 181(f)

Year Ended December 31, 2012

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2011	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Fair Value Dec. 31, 2012	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Dec. 31, 2012 (c)
Assets											
Securities available for sale											
Residential mortgage- backed non-agency	$ 5,557	$ 76	$ 1,178	$ 49	$(164)		$ (1,047)	$ 458		$ 6,107	$ (99)
Commercial mortgage backed non-agency		1					(1)				
Asset-backed	787	(7)	142		(87)		(127)			708	(11)
State and municipal	336		21	6			(4)	20	$ (40)	339	
Other debt	49	(1)	1	16	(17)					48	(1)
Total securities available for sale	6,729	69	1,342	71	(268)		(1,179)	478	(40)	7,202	(111)
Financial derivatives	67	433		5			(400)	3	(2)	106	364
Residential mortgage loans held for sale								27		27	
Trading securities – Debt	39	7					(14)			32	3
Residential mortgage servicing rights	647	(138)		191		$ 117	(167)			650	(123)
Commercial mortgage loans held for sale	843	(5)			(26)		(40)			772	(8)
Equity investments											
Direct investments	856	91		399	(175)					1,171	71
Indirect investments	648	102		63	(171)					642	94
Total equity investments	1,504	193		462	(346)					1,813	165
Loans	5			3			(1)	127		134	
Other assets											
BlackRock Series C Preferred Stock	210	33								243	33
Other	9									9	
Total other assets	219	33								252	33
Total assets	$ 10,053	$ 592(e)	$ 1,342	$ 732	$(640)	$ 117	$ (1,801)	$ 635	$ (42)	$ 10,988	$ 323(f)
Total liabilities (d)	$ 308	$ 134(e)			$ 3		$ (68)	$ 1	$ (2)	$ 376	$ 69(f)

(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) The amount of the total gains or losses for the period included in earnings that is attributable to the change in unrealized gains or losses related to those assets and liabilities held at the end of the reporting period.
(d) Financial derivatives, which include swaps entered into in connection with sales of certain Visa Class B common shares.
(e) Net gains (realized and unrealized) included in earnings relating to Level 3 assets and liabilities were $920 million for 2013 compared with net gains (realized and unrealized) of $458 million for 2012. These amounts also included amortization and accretion of $217 million for 2013 compared with $189 for 2012. The amortization and accretion amounts were included in Interest income on the Consolidated Income Statement, and the remaining net gains/(losses) (realized and unrealized) were included in Noninterest income on the Consolidated Income Statement.
(f) Net unrealized gains relating to those assets and liabilities held at the end of the reporting period were $607 million for 2013, compared with net unrealized gains of $254 million for 2012. These amounts were included in Noninterest income on the Consolidated Income Statement.

An instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. PNC reviews and updates fair value hierarchy classifications quarterly. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. PNC's policy is to recognize transfers in and transfers out as of the end of the reporting period. During 2013, there were transfers of residential mortgage loans held for sale and loans from Level 2 to Level 3 of $13 million and $29 million, respectively, as a result of reduced market activity in the nonperforming residential mortgage sales market which reduced the observability of valuation inputs. In addition, there were transfers of residential mortgage loans of $164 million that were reclassified from Level 2 to Level 3 due to the unobservable nature of the pool level pricing methodology. Also during 2013, there were transfers out of Level 3 residential mortgage loans held for sale and loans of $12 million and $28 million, respectively, primarily due to the transfer of residential mortgage loans held for sale and loans to OREO. In addition, there was approximately $84 million of Level 3 residential mortgage loans held for sale reclassified to Level 3 loans during 2013 due to the loans being reclassified from held for sale loans to held in portfolio loans. This amount was included in Transfers out of Level 3 residential mortgages loans held for sale and Transfers into Level 3 loans within Table 88. During 2012, there were transfers of securities available for sale from Level 2 to Level 3 of $478 million consisting of mortgage-backed securities as a result of a ratings downgrade which reduced the observability of valuation inputs and certain state and municipal securities with valuation inputs that were determined to be unobservable. Level 2 to Level 3 transfers also included $127 million and $27 million for loans and residential mortgage loans held for sale, respectively, as a result of reduced market activity in the nonperforming residential mortgage sales market which reduced the observability of valuation inputs. Also during 2012, there was a transfer out of Level 3 securities available for sale of $40 million due to an instrument being reclassified to a loan and no longer being carried at fair value.

Quantitative information about the significant unobservable inputs within Level 3 recurring assets and liabilities follows.

Table 89: Fair Value Measurements – Recurring Quantitative Information

December 31, 2013

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Residential mortgage-backed non-agency securities	$ 5,358	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR)	1.0%-32.1% (6.0%)	(a)
			Constant default rate (CDR)	0%-21.9% (6.6%)	(a)
			Loss severity	6.1%-92.9% (52.3%)	(a)
			Spread over the benchmark curve (b)	237bps weighted average	(a)
Asset-backed securities	641	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR)	1.0%-11.1% (5.0%)	(a)
			Constant default rate (CDR)	1.0%-13.9% (8.7%)	(a)
			Loss severity	10.0%-100% (70.1%)	(a)
			Spread over the benchmark curve (b)	326bps weighted average	(a)
State and municipal securities	132	Discounted cash flow	Spread over the benchmark curve (b)	80bps-240bps (97bps)	
	201	Consensus pricing (c)	Credit and Liquidity discount	0%-25.0% (8.3%)	
Other debt securities	38	Consensus pricing (c)	Credit and Liquidity discount	7.0%-95.0% (88.4%)	
Trading securities – Debt	32	Consensus pricing (c)	Credit and Liquidity discount	0%-20.0% (8.3%)	
Residential mortgage servicing rights	1,087	Discounted cash flow	Constant prepayment rate (CPR) Spread over the benchmark curve (b)	2.2%-32.9% (7.6%) 889bps-1,888bps (1,024bps)	
Commercial mortgage loans held for sale	586	Discounted cash flow	Spread over the benchmark curve (b)	460bps-6,655bps (972bps)	
Equity investments – Direct investments	1,069	Multiple of adjusted earnings	Multiple of earnings	4.5x-10.8x (7.2x)	
Equity investments – Indirect (d)	595	Net asset value	Net asset value		
Loans – Residential real estate	225	Consensus pricing (c)	Cumulative default rate	2.0%-100% (80.0%)	
			Loss severity	0%-100% (48.4%)	
			Gross discount rate	12.0%-13.0% (12.2%)	
	164	Discounted cash flow	Loss severity	8.0% weighted average	
			Gross discount rate	10.0% weighted average	
Loans – Home equity (e)	123	Consensus pricing (c)	Credit and Liquidity discount	36.0%-99.0% (55.0%)	
BlackRock Series C Preferred Stock	332	Consensus pricing (c)	Liquidity discount	20.0%	
BlackRock LTIP	(332)	Consensus pricing (c)	Liquidity discount	20.0%	
Swaps related to sales of certain Visa Class B common shares	(90)	Discounted cash flow	Estimated conversion factor of Class B shares into Class A shares	41.7%	
			Estimated growth rate of Visa Class A share price	8.6%	
Other borrowed funds (e)	(184)	Consensus pricing (c)	Credit and Liquidity discount	0%-99.0% (18.0%)	
			Spread over the benchmark curve (b)	13bps	
Insignificant Level 3 assets, net of liabilities (f)	35				
Total Level 3 assets, net of liabilities (g)	$ 10,012				

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December 31, 2012

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Residential mortgage-backed non-agency securities	$ 6,107	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR) Constant default rate (CDR) Loss severity Spread over the benchmark curve (b)	1.0%-30.0% (5.0%) 0%-24.0% (7.0%) 10.0%-95.0% (52.0%) 315bps weighted average	(a) (a) (a) (a)
Asset-backed securities	708	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR) Constant default rate (CDR) Loss severity Spread over the benchmark curve (b)	1.0%-11.0% (3.0%) 1.0%-25.0% (9.0%) 10.0%-100% (70.0%) 511bps weighted average	(a) (a) (a) (a)
State and municipal securities	130 209	Discounted cash flow Consensus pricing (c)	Spread over the benchmark curve (b) Credit and Liquidity discount	100bps-280bps (119bps) 0%-30.0% (8.0%)	
Other debt securities	48	Consensus pricing (c)	Credit and Liquidity discount	7.0%-95.0% (86.0%)	
Residential mortgage loan commitments	85	Discounted cash flow	Probability of funding Embedded servicing value	8.5%-99.0% (71.1%) .5%-1.2% (.9%)	
Trading securities – Debt	32	Consensus pricing (c)	Credit and Liquidity discount	8.0%-20.0% (12.0%)	
Residential mortgage loans held for sale	27	Consensus pricing (c)	Cumulative default rate Loss severity Gross discount rate	2.6%-100% (76.1%) 0%-92.7% (55.8%) 14.0%-15.3% (14.9%)	
Residential mortgage servicing rights	650	Discounted cash flow	Constant prepayment rate (CPR) Spread over the benchmark curve (b)	3.9%-57.3% (18.8%) 939bps-1,929bps (1,115bps)	
Commercial mortgage loans held for sale	772	Discounted cash flow	Spread over the benchmark curve (b)	485bps-4,155bps (999bps)	
Equity investments – Direct investments	1,171	Multiple of adjusted earnings	Multiple of earnings	4.5x-10.0x (7.1x)	
Equity investments – Indirect (d)	642	Net asset value	Net asset value		
Loans – Residential real estate	127	Consensus pricing (c)	Cumulative default rate Loss severity Gross discount rate	2.6%-100% (76.3%) 0%-99.4% (61.1%) 12.0%-12.5% (12.2%)	
Loans – Home equity	7	Consensus pricing (c)	Credit and Liquidity discount	37.0%-97.0% (65.0%)	
BlackRock Series C Preferred Stock	243	Consensus pricing (c)	Liquidity discount	22.5%	
BlackRock LTIP	(243)	Consensus pricing (c)	Liquidity discount	22.5%	
Other derivative contracts	(72)	Discounted cash flow	Credit and Liquidity discount Spread over the benchmark curve (b)	37.0%-99.0% (46.0%) 79bps	
Swaps related to sales of certain Visa Class B common shares	(43)	Discounted cash flow	Estimated conversion factor of Class B shares into Class A shares Estimated growth rate of Visa Class A share price	41.5% 12.6%	
Insignificant Level 3 assets, net of liabilities (f)	12				
Total Level 3 assets, net of liabilities (g)	$ 10,612				

(a) Level 3 residential mortgage-backed non-agency and asset-backed securities with fair values as of December 31, 2013 totaling $4,672 million and $610 million, respectively, were priced by a third-party vendor using a discounted cash flow pricing model that incorporates consensus pricing, where available. The comparable amounts as of December 31, 2012 were $5,363 million and $677 million, respectively. The significant unobservable inputs for these securities were provided by the third-party vendor and are disclosed in the table. Our procedures to validate the prices provided by the third-party vendor related to these securities are discussed further in the Fair Value Measurement section of this Note 9. Certain Level 3 residential mortgage-backed non-agency and asset-backed securities with fair values as of December 31, 2013 of $686 million and $31 million, respectively, were valued using a pricing source, such as a dealer quote or comparable security price, for which the significant unobservable inputs used to determine the price were not reasonably available. The comparable amounts as of December 31, 2012 were $744 million and $31 million, respectively.

(b) The assumed yield spread over the benchmark curve for each instrument is generally intended to incorporate non-interest-rate risks such as credit and liquidity risks.

(c) Consensus pricing refers to fair value estimates that are generally internally developed using information such as dealer quotes or other third-party provided valuations or comparable asset prices.

(d) The range on these indirect equity investments has not been disclosed since these investments are recorded at their net asset redemption values.

(e) Primarily includes a Non-agency securitization that PNC consolidated in the first quarter of 2013.

(f) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes certain financial derivative assets and liabilities and other assets. For the period ended December 31, 2013, the amount also includes residential mortgage loans held for sale. For additional information, please see commercial mortgage loan commitment assets and liabilities, residential mortgage loan commitment assets, interest rate option assets and liabilities and risk participation agreement assets and liabilities within the Financial Derivatives discussion, and the Residential Mortgage Loans Held for Sale and Other Assets and Liabilities discussions included in this Note 9.

(g) Consisted of total Level 3 assets of $10,635 million and total Level 3 liabilities of $623 million as of December 31, 2013 and $10,988 million and $376 million as of December 31, 2012, respectively.

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Other Financial Assets Accounted for at Fair Value on a Nonrecurring Basis

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 and are included in Table 90 and Table 91.

Nonaccrual Loans

The amounts below for nonaccrual loans represent the fair value of those loans which have been adjusted due to impairment. The impairment is primarily based on the appraised value of the collateral or LGD percentage. The LGD percentage is used to determine the weighted average loss severity of the nonaccrual loans.

As part of the appraisal process, persons ordering or reviewing appraisals are independent of the asset manager. Appraisals must be provided by licensed or certified appraisers and conform to the Uniform Standards of Professional Appraisal Practice. For loans secured by commercial properties where the underlying collateral is in excess of $250,000, appraisals are obtained at least annually. In certain instances (e.g., physical changes in the property), a more recent appraisal is obtained. Additionally, borrower ordered appraisals are not permitted, and PNC ordered appraisals are regularly reviewed. For loans secured by commercial properties where the underlying collateral is $250,000 and less, there is no requirement to obtain an appraisal. In instances where an appraisal is not obtained, the collateral value is determined consistent with external third-party appraisal standards by an internal person independent of the asset manager. PNC has a real estate valuation services group whose sole function is to manage the real estate appraisal solicitation and evaluation process for commercial loans. All third-party appraisals are reviewed by this group, including consideration of comments/questions on the appraisal by the reviewer, customer relationship manager, credit officer, and underwriter. Upon resolving these comments/questions through discussions with the third-party appraiser, adjustments to the initial appraisal may occur and be incorporated into the final issued appraisal report.

If an appraisal is outdated due to changed project or market conditions, or if the net book value is utilized, management uses an LGD percentage which represents the exposure PNC expects to lose in the event a borrower defaults on an obligation. Accordingly, LGD, which represents the loss severity, is a function of collateral recovery rates and loan-to-value. Those rates are established based upon actual PNC loss experience and external market data. In instances where we have agreed to sell the property to a third party, the fair value is based on the contractual sales price adjusted for costs to sell. In these instances, the most significant unobservable input is the appraised value or the sales price. The estimated costs to sell are incremental direct costs to transact a sale such as broker commissions, legal, closing costs and title transfer fees. The costs must be essential to the sale and would not have been incurred if the decision to sell had not been made. The costs to sell are based on costs associated with our actual sales of commercial and residential OREO and foreclosed assets, which are assessed annually.

Loans Held for Sale

The amounts below for loans held for sale include the carrying value of commercial mortgage loans which are intended to be sold with servicing retained. The fair value of the commercial mortgage loans is determined using discounted cash flows. Significant observable market data includes the applicable benchmark U.S. Treasury interest rates. These instruments are classified within Level 3. Significant unobservable inputs include a spread over the benchmark curve and the embedded servicing value. Significant increases (decreases) to the spread over the benchmark curve would result in a significantly lower (higher) carrying value of the assets. Significant increases (decreases) in the embedded servicing value would result in significantly higher (lower) carrying value.

Loans held for sale also includes syndicated commercial loan inventory. The fair value of the syndicated commercial loan inventory is primarily determined based on prices provided by a third-party vendor. The third-party vendor prices are based upon dealer quotes. For nonrecurring fair value measurements, these instruments are classified within Level 2. There were no loans held for sale categorized as Level 2 at December 31, 2013 or 2012.

Equity Investments

The amounts below for equity investments represent the carrying value of Low Income Housing Tax Credit (LIHTC) investments held for sale calculated using a discounted cash flow model. The significant unobservable input is management's estimate of required market rate of return. The market rate of return is based on comparison to recent LIHTC sales in the market. Significant increases (decreases) in this input would result in a significantly lower (higher) carrying value of the investments.

Commercial Mortgage Servicing Rights

Commercial MSRs are periodically evaluated for impairment and the amounts below reflect an impairment of three strata at December 31, 2013, two strata at December 31, 2012 and three strata at December 31, 2011, respectively. For purposes of impairment, the commercial MSRs are stratified based on asset type, which characterizes the predominant risk of the underlying financial asset. The fair value of commercial MSRs is estimated by using a discounted cash flow model incorporating unobservable inputs for assumptions as to constant prepayment rates, discount rates and other factors. Significant increases (decreases) in constant prepayment rates and discount rates would result in significantly lower (higher) commercial MSR value determined based on current market conditions and expectations.

OREO AND FORECLOSED ASSETS

The amounts below for OREO and foreclosed assets represent the carrying value of OREO and foreclosed assets for which valuation adjustments were recorded subsequent to the transfer to OREO and foreclosed assets. Valuation adjustments are based on the fair value less cost to sell of the property. Fair value is based on appraised value or sales price.

The appraisal process for OREO and foreclosed properties is the same as described above for nonaccrual loans. In instances where we have agreed to sell the property to a third party, the fair value is based on the contractual sale price adjusted for costs to sell. The significant unobservable inputs for OREO and foreclosed assets are the appraised value or the sales price. The estimated costs to sell are incremental direct costs to transact a sale such as broker commissions, legal, closing costs and title transfer fees. The costs must be essential to the sale and would not have been incurred if the decision to sell had not been made. The costs to sell are based on costs associated with our actual sales of commercial and residential OREO and foreclosed assets, which are assessed annually.

LONG-LIVED ASSETS HELD FOR SALE

The amounts below for Long-lived assets held for sale represent the carrying value of the asset for which valuation adjustments were recorded during the current year and subsequent to the transfer to Long-lived assets held for sale. Valuation adjustments are based on the fair value of the property less an estimated cost to sell. Fair value is determined either by a recent appraisal, recent sales offer or changes in market or property conditions. Appraisals are provided by licensed or certified appraisers. Where we have agreed to sell the property to a third party, the fair value is based on the contractual sale price. The significant unobservable inputs for Long-lived assets held for sale are the appraised value, the sales price or the changes in market or property conditions. Changes in market or property conditions are subjectively determined by management through observation of the physical condition of the property along with the condition of properties in the surrounding market place. The availability and recent sales of similar properties is also considered. The range of fair values can vary significantly as this category often includes smaller properties such as offsite ATM locations and smaller rural branches up to large commercial buildings, operation centers or urban branches.

Table 90: Fair Value Measurements – Nonrecurring

	Fair Value	
In millions	December 31 2013	December 31 2012
Assets (a)		
Nonaccrual loans	$ 35	$ 158
Loans held for sale	224	315
Equity investments	6	12
Commercial mortgage servicing rights	543	191
OREO and foreclosed assets	181	207
Long-lived assets held for sale	51	24
Total assets	$ 1,040	$ 907

Year ended December 31	Gains (Losses)		
In millions	2013	2012	2011
Assets			
Nonaccrual loans	$ (8)	$ (68)	$ (49)
Loans held for sale	(7)	(4)	(2)
Equity investments	(1)		(2)
Commercial mortgage servicing rights	88	(5)	(157)
OREO and foreclosed assets	(26)	(73)	(71)
Long-lived assets held for sale	(40)	(20)	(5)
Total assets	$ 6	$(170)	$(286)

(a) All Level 3 as of December 31, 2013 and 2012.

Quantitative information about the significant unobservable inputs within Level 3 nonrecurring assets follows.

Table 91: Fair Value Measurements – Nonrecurring Quantitative Information

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
December 31, 2013				
Assets				
Nonaccrual loans (a)	$ 21	Fair value of collateral	Loss severity	7.0%-84.9% (36.6%)
Loans held for sale	224	Discounted cash flow	Spread over the benchmark curve (b)	35bps-220bps (144bps)
			Embedded servicing value	.8%-3.5% (2.0%)
Equity investments	6	Discounted cash flow	Market rate of return	6.5%
Commercial mortgage servicing rights	543	Discounted cash flow	Constant prepayment rate (CPR)	7.1%-11.8% (7.7%)
			Discount rate	5.4%-7.6% (6.7%)
Other (c)	246	Fair value of property or collateral	Appraised value/sales price	Not meaningful
Total Assets	$ 1,040			
December 31, 2012				
Assets				
Nonaccrual loans (a)	$ 90	Fair value of collateral	Loss severity	4.6%-97.2% (58.1%)
Loans held for sale	315	Discounted cash flow	Spread over the benchmark curve (b)	40bps-233bps (86bps)
			Embedded servicing value	.8%-2.6% (2.0%)
Equity investments	12	Discounted cash flow	Market rate of return	4.6%-6.5% (5.4%)
Commercial mortgage servicing rights	191	Discounted cash flow	Constant prepayment rate (CPR)	7.1%-20.1% (7.8%)
			Discount rate	5.6%-7.8% (7.7%)
Other (c)	299	Fair value of property or collateral	Appraised value/sales price	Not meaningful
Total Assets	$ 907			

(a) The fair value of nonaccrual loans included in this line item is determined based on internal loss rates. The fair value of nonaccrual loans where the fair value is determined based on the appraised value or sales price is included within Other, below.

(b) The assumed yield spread over benchmark curve for each instrument is generally intended to incorporate non-interest-rate risks such as credit and liquidity risks.

(c) Other included Nonaccrual loans of $14 million, OREO and foreclosed assets of $181 million and Long-lived assets held for sale of $51 million as of December 31, 2013. Comparably, as of December 31, 2012, Other included nonaccrual loans of $68 million, OREO and foreclosed assets of $207 million and Long-lived assets held for sale of $24 million. The fair value of these assets is determined based on appraised value or sales price, the range of which is not meaningful to disclose.

FINANCIAL ASSETS ACCOUNTED FOR UNDER FAIR VALUE OPTION
Refer to the Fair Value Measurement section of this Note 9 regarding the fair value of customer resale agreements, trading loans, residential mortgage loans held for sale, commercial mortgage loans held for sale, certain portfolio loans, BlackRock Series C Preferred Stock and other borrowed funds.

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 2013 and 2012 were not material.

Residential Mortgage-Backed Agency Securities with Embedded Derivatives
Interest income on these securities is reported on the Consolidated Income Statement in Other interest income.

Trading Loans
Interest income on trading loans is reported on the Consolidated Income Statement in Other interest income.

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 2013 and 2012, 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 2013 and 2012 were not material.

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 2013 and 2012 were not material.

Residential Mortgage Loans – Portfolio
Interest income on these loans is recorded as earned and reported on the Consolidated Income Statement in either Loan interest income or Other interest income. Interest income on the Home Equity Lines of Credit for which we have elected the fair value option during first quarter 2013 is reported on the Consolidated Income Statement in Loan interest income.

Other Borrowed Funds
Interest expense on the Other borrowed funds for which we have elected the fair value option during first quarter 2013 is reported on the Consolidated Income Statement in Borrowed funds interest expense.

The changes in fair value included in Noninterest income for items for which we elected the fair value option follow.

Table 92: Fair Value Option – Changes in Fair Value (a)

Year ended December 31 In millions	Gains (Losses) 2013	2012	2011
Assets			
Customer resale agreements	$ (7)	$ (10)	$ (12)
Residential mortgage-backed agency securities with embedded derivatives (b)		13	24
Trading loans	3	2	
Residential mortgage loans held for sale	247	(180)	172
Commercial mortgage loans held for sale	(10)	(5)	3
Residential mortgage loans – portfolio	27	(36)	(17)
BlackRock Series C Preferred Stock	122	33	(14)
Liabilities			
Other borrowed funds	(9)		

(a) The impact on earnings of offsetting hedged items or hedging instruments is not reflected in these amounts.
(b) At both December 31, 2013 and December 31, 2012, the balance of residential mortgage-backed agency securities with embedded derivatives carried in Trading securities was zero.

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Fair values and aggregate unpaid principal balances of items for which we elected the fair value option follow.

Table 93: Fair Value Option – Fair Value and Principal Balances

In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference
December 31, 2013			
Assets			
Customer resale agreements	$ 207	$ 196	$ 11
Trading loans	6	6	
Residential mortgage loans held for sale			
Performing loans	1,298	1,260	38
Accruing loans 90 days or more past due	2	2	
Nonaccrual loans	15	18	(3)
Total	1,315	1,280	35
Commercial mortgage loans held for sale (a)			
Performing loans	583	669	(86)
Nonaccrual loans	3	9	(6)
Total	586	678	(92)
Residential mortgage loans – portfolio			
Performing loans	215	313	(98)
Accruing loans 90 days or more past due (b)	445	517	(72)
Nonaccrual loans	365	598	(233)
Total	1,025	1,428	(403)
Liabilities			
Other borrowed funds (c)	$ 184	$ 225	$ (41)
December 31, 2012			
Assets			
Customer resale agreements	$ 256	$ 237	$ 19
Trading loans	76	76	
Residential mortgage loans held for sale			
Performing loans	2,072	1,971	101
Accruing loans 90 days or more past due	8	14	(6)
Nonaccrual loans	16	36	(20)
Total	2,096	2,021	75
Commercial mortgage loans held for sale (a)			
Performing loans	766	889	(123)
Nonaccrual loans	6	12	(6)
Total	772	901	(129)
Residential mortgage loans – portfolio			
Performing loans	58	116	(58)
Accruing loans 90 days or more past due (b)	116	141	(25)
Nonaccrual loans	70	207	(137)
Total	$ 244	$ 464	$ (220)

(a) There were no accruing loans 90 days or more past due within this category at December 31, 2013 or December 31, 2012.
(b) The majority of these loans are government insured loans, which positively impacts the fair value. Also included are home equity loans owned by private investors, which negatively impacts the fair value.
(c) Related to a Non-agency securitization that PNC consolidated in the first quarter of 2013.

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The following table provides additional information regarding the fair value and classification within the fair value hierarchy of financial instruments.

Table 94: Additional Fair Value Information Related to Financial Instruments

In millions	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
December 31, 2013					
Assets					
Cash and due from banks	$ 4,043	$ 4,043	$ 4,043		
Short-term assets	15,113	15,113		$ 15,113	
Trading securities	3,073	3,073	2,179	862	$ 32
Investment securities	60,294	60,372	4,120	49,865	6,387
Trading loans	6	6		6	
Loans held for sale	2,255	2,256		1,307	949
Net loans (excludes leases)	184,305	185,887		513	185,374
Other assets	4,162	4,162	209	1,949	2,004
Mortgage servicing rights	1,636	1,639			1,639
Financial derivatives					
Designated as hedging instruments under GAAP	1,189	1,189		1,189	
Not designated as hedging instruments under GAAP	3,604	3,604	25	3,543	36
Total Assets	$279,680	$281,344	$10,576	$ 74,347	$196,421
Liabilities					
Demand, savings and money market deposits	$197,465	$197,465		$197,465	
Time deposits	23,466	23,487		23,487	
Borrowed funds	46,427	47,258	$ 1,341	44,431	$ 1,486
Financial derivatives					
Designated as hedging instruments under GAAP	364	364		364	
Not designated as hedging instruments under GAAP	3,570	3,570	6	3,125	439
Unfunded loan commitments and letters of credit	224	224			224
Total Liabilities	$271,516	$272,368	$ 1,347	$268,872	$ 2,149
December 31, 2012					
Assets					
Cash and due from banks	$ 5,220	$ 5,220	$ 5,220		
Short-term assets	6,495	6,495		$ 6,495	
Trading securities	2,096	2,096	1,104	960	$ 32
Investment securities	61,406	61,912	2,897	51,789	7,226
Trading loans	76	76		76	
Loans held for sale	3,693	3,697		2,069	1,628
Net loans (excludes leases)	174,575	177,215		110	177,105
Other assets	4,265	4,265	283	1,917	2,065
Mortgage servicing rights	1,070	1,077			1,077
Financial derivatives					
Designated as hedging instruments under GAAP	1,872	1,872		1,872	
Not designated as hedging instruments under GAAP	6,696	6,696	5	6,585	106
Total Assets	$267,464	$270,621	$ 9,509	$ 71,873	$189,239
Liabilities					
Demand, savings and money market deposits	$187,051	$187,051		$187,051	
Time deposits	26,091	26,347		26,347	
Borrowed funds	40,907	42,329	$ 731	40,505	$ 1,093
Financial derivatives					
Designated as hedging instruments under GAAP	152	152		152	
Not designated as hedging instruments under GAAP	6,458	6,458	1	6,081	376
Unfunded loan commitments and letters of credit	231	231			231
Total Liabilities	$260,890	$262,568	$ 732	$260,136	$ 1,700

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 due from banks

The carrying amounts reported on our Consolidated Balance Sheet for cash and due from banks approximate fair values. For purposes of this disclosure only, cash and due from banks includes the following:

- due from banks, and
- non-interest-earning deposits with banks.

Cash and due from banks are classified as Level 1.

Short-Term Assets

The carrying amounts reported on our Consolidated Balance Sheet for 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:

- federal funds sold and resale agreements,
- cash collateral,
- customers' acceptances,
- accrued interest receivable, and
- interest-earning deposits with banks.

Short-term assets are classified as Level 2.

Securities

Securities include both the investment securities (comprised of available for sale and held to maturity securities) and trading securities portfolios. We primarily use prices obtained from pricing services, dealer quotes or recent trades to determine the fair value of securities. As of December 31, 2013, 83% of the positions in these portfolios were priced by pricing services provided by third-party vendors. Refer to the Fair Value Measurement section of this Note 9 for additional information relating to our pricing processes and procedures.

Trading Loans

Refer to the Fair Value Measurement section of this Note 9 regarding the fair value of trading loans.

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 purchased impaired loans, fair value is assumed to equal PNC's carrying value, which represents the present value of expected future principal and interest cash flows, as adjusted for any ALLL recorded for these loans. See Note 6 Purchased Loans for additional information. For revolving home equity loans and commercial credit lines, this fair value does not include any amount for new loans or the related fees that will be generated from the existing customer relationships. Nonaccrual loans are valued at their estimated recovery value. Also refer to the Fair Value Measurement and Fair Value Option sections of this Note 9 regarding the fair value of commercial and residential mortgage loans held for sale. Loans are presented net of the ALLL and do not include future accretable discounts related to purchased impaired loans.

Other Assets

Other assets as shown in the preceding table includes the following:

- FHLB and FRB stock,
- equity investments carried at cost and fair value, and
- BlackRock Series C Preferred Stock.

Refer to the Fair Value Measurement section of this Note 9 regarding the fair value of other assets and liabilities which includes a Rabbi Trust.

Investments accounted for under the equity method, including our investment in BlackRock, are not included in the preceding Table 94.

Refer to the Fair Value Measurement section of this Note 9 regarding the fair value of equity investments.

The aggregate carrying value of our investments that are carried at cost and FHLB and FRB stock was $1.8 billion at December 31, 2013 and was $1.7 billion at December 31, 2012, which approximates fair value at each date.

Mortgage Servicing Rights

Fair value is based on the present value of the estimated future cash flows, incorporating assumptions as to prepayment rates, discount rates, default rates, escrow balances, interest rates, cost to service and other factors.

The key valuation assumptions for commercial and residential mortgage loan servicing rights at December 31, 2013 and December 31, 2012 are included in Note 10 Goodwill and Other Intangible Assets.

Customer Resale Agreements

Refer to the Fair Value Measurement section of this Note 9 regarding the fair value of customer resale agreements.

DEPOSITS
The carrying amounts of noninterest-bearing and interest-bearing demand, 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. All deposits are classified as Level 2.

BORROWED FUNDS
The carrying amounts of Federal funds purchased, commercial paper, repurchase agreements, trading securities sold short, cash collateral, 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 using either prices obtained from third-party vendors or an internally developed discounted cash flow approach taking into consideration our current incremental borrowing rates for similar instruments. Also refer to the Fair Value Measurement and Fair Value Option sections of this Note 9 regarding the fair value of borrowed funds.

UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT
The fair value of unfunded loan commitments and letters of credit is determined from a market participant's view including the impact of changes in interest rates and credit. Because our obligation on substantially all unfunded loan commitments and letters of credit varies with changes in interest rates, these instruments are subject to little fluctuation in fair value due to changes in interest rates. We establish a liability on these facilities related to the creditworthiness of our counterparty. These instruments are classified as Level 3.

FINANCIAL DERIVATIVES
Refer to the Fair Value Measurement section of this Note 9 regarding the fair value of financial derivatives.

NOTE 10 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill by business segment during 2013 and 2012 follow:

Table 95: Changes in Goodwill by Business Segment (a)

In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	Other (b)	Total
December 31, 2011	$5,394	$ 2,763	$ 69	$ 43	$ 16	$8,285
RBC Bank (USA) acquisition	429	473		2	46	950
SmartStreet divestiture					(46)	(46)
Residential Mortgage Banking impairment charge				(45)		(45)
Other (c)	(29)	(22)	(5)		(16)	(72)
December 31, 2012	$5,794	$ 3,214	$ 64	$ –	$ –	$9,072
Other	1	1				2
December 31, 2013	$5,795	$ 3,215	$ 64	$ –	$ –	$9,074

(a) The Non-Strategic Assets Portfolio business segment does not have any goodwill allocated to it.
(b) Includes goodwill related to BlackRock.
(c) Primarily related to correction of amounts for an acquisition affecting prior periods.

Assets and liabilities of acquired entities are recorded at estimated fair value as of the acquisition date.

We conduct a goodwill impairment test on our reporting units at least annually, in the fourth quarter, or more frequently if events occur or circumstances have changed significantly from the annual test date. The fair value of our reporting units is determined by using discounted cash flow and, when applicable, market comparability methodologies. Based on the results of our 2013 analysis, there were no impairment charges related to goodwill.

During 2012, our residential mortgage banking business, similar to other residential mortgage banking businesses, experienced higher operating costs and increased uncertainties such as elevated indemnification and repurchase liabilities and foreclosure related issues. Our annual impairment analysis indicated that goodwill related to our Residential Mortgage Banking reporting unit was greater than the implied fair value of its goodwill. An impairment charge of $45 million was recorded during the fourth quarter of 2012 which wrote down the entire balance of goodwill in the Residential Mortgage Banking reporting unit.

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

Table 96: Other Intangible Assets

In millions	December 31 2013	December 31 2012
Customer-related and other intangibles		
Gross carrying amount	$ 1,676	$ 1,676
Accumulated amortization	(1,096)	(950)
Net carrying amount	$ 580	$ 726
Mortgage and other loan servicing rights		
Gross carrying amount	$ 2,620	$ 2,071
Valuation allowance	(88)	(176)
Accumulated amortization	(896)	(824)
Net carrying amount (a)	$ 1,636	$ 1,071
Total	$ 2,216	$ 1,797

(a) Included mortgage servicing rights for other loan portfolios of less than $1 million at December 31, 2013 and $1 million at December 31, 2012, respectively.

Our other intangible assets have finite lives and are amortized primarily on a straight-line basis. Core deposit intangibles are amortized on an accelerated basis.

For customer-related and other intangibles, the estimated remaining useful lives range from less than 1 year to 10 years, with a weighted-average remaining useful life of 7 years.

Amortization expense on existing intangible assets follows:

Table 97: Amortization Expense on Existing Intangible Assets (a) (b)

In millions	
2011	$324
2012	310
2013	243
2014	127
2015	110
2016	93
2017	79
2018	68

(a) Included mortgage servicing rights for other loan portfolios of $1 million at both December 31, 2011 and 2012 and less than $1 million at December 31, 2013.
(b) Amounts for 2011, 2012 and 2013 include amortization expense related to commercial MSRs. As of January 1, 2014, PNC made an irrevocable election to subsequently measure all classes of commercial MSRs at fair value. Accordingly, the estimated aggregate amortization expense for each of the five succeeding fiscal years presented excludes amortization expense related to commercial MSRs. For additional information regarding the election of commercial MSRs at fair value, see Note 1 Accounting Policies for more detail.

Changes in customer-related intangible assets during 2013 and 2012 follow:

Table 98: Summary of Changes in Customer-Related and Other Intangible Assets

In millions	Customer-Related
December 31, 2011	$ 742
RBC Bank (USA) Acquisition	164
SmartStreet divestiture	(13)
Amortization	(167)
December 31, 2012	$ 726
Amortization	(146)
December 31, 2013	$ 580

Changes in commercial mortgage servicing rights (MSRs) follow:

Table 99: Commercial Mortgage Servicing Rights

In millions	2013	2012	2011
Commercial Mortgage Servicing Rights – Net Carrying Amount			
January 1	$ 420	$ 468	$ 665
Additions (a)	138	73	120
Amortization expense (b)	(97)	(142)	(160)
Change in valuation allowance	88	21	(157)
December 31	$ 549	$ 420	$ 468
Commercial Mortgage Servicing Rights – Valuation Allowance			
January 1	$(176)	$(197)	$ (40)
Provision	(21)	(46)	(166)
Recoveries	108	43	9
Other (b)	1	24	
December 31	$ (88)	$(176)	$(197)

(a) Additions for 2013 included $53 million from loans sold with servicing retained and $85 million from purchases of servicing rights from third parties.
Comparable amounts were $45 million and $28 million, respectively, for 2012 and $55 million and $65 million, respectively, for 2011.
(b) Includes a direct write-down of servicing rights for $24 million recognized in the first quarter of 2012 primarily due to market-driven changes in interest rates.

We recognize as an other intangible asset the right to service mortgage loans for others. Commercial MSRs are purchased or originated when loans are sold with servicing retained. Commercial MSRs are initially recorded at fair value. These rights are subsequently accounted for at the lower of amortized cost or fair value, and are substantially amortized in proportion to and over the period of estimated net servicing income of 5 to 10 years.

Commercial MSRs are periodically evaluated for impairment. For purposes of impairment, the commercial MSRs 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 MSRs is estimated by using a discounted cash flow model incorporating inputs for assumptions as to constant prepayment rates, discount rates and other factors determined based on current market conditions and expectations.

Changes in the residential MSRs follow:

Table 100: Residential Mortgage Servicing Rights

In millions	2013	2012	2011
January 1	$ 650	$ 647	$ 1,033
Additions:			
From loans sold with servicing retained	158	117	118
RBC Bank (USA) acquisition		16	
Purchases	110	175	65
Sales	(4)		
Changes in fair value due to:			
Time and payoffs (a)	(193)	(167)	(163)
Other (b)	366	(138)	(406)
December 31	$ 1,087	$ 650	$ 647
Unpaid principal balance of loans serviced for others at December 31	$113,994	$119,262	$118,058

(a) Represents decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that were paid down or paid off during the period.
(b) Represents MSR 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. MSRs are subject to declines in value principally from actual or expected prepayment of the underlying loans and also defaults. We manage this risk by economically hedging the fair value of MSRs with securities and derivative instruments which are expected to increase (or decrease) in value when the value of MSRs declines (or increases).

The fair value of residential MSRs is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors which are determined based on current market conditions.

The fair value of commercial and residential MSRs and significant inputs to the valuation models as of December 31, 2013 are shown in the tables below. The expected and actual rates of mortgage loan prepayments are significant factors driving the fair value. Management uses both internal proprietary models and a third-party model to estimate future commercial mortgage loan prepayments and a third-party model to estimate future residential mortgage loan prepayments. These models have been refined based on current market conditions and management judgment. 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.

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:

Table 101: Commercial Mortgage Loan Servicing Rights – Key Valuation Assumptions

Dollars in millions	December 31 2013	December 31 2012
Fair Value	$ 552	$ 427
Weighted-average life (years)	5.3	4.8
Weighted-average constant prepayment rate	7.52%	7.63%
Decline in fair value from 10% adverse change	$ 12	$ 8
Decline in fair value from 20% adverse change	$ 23	$ 16
Effective discount rate	6.91%	7.70%
Decline in fair value from 10% adverse change	$ 18	$ 12
Decline in fair value from 20% adverse change	$ 35	$ 23

Table 102: Residential Mortgage Loan Servicing Rights – Key Valuation Assumptions

Dollars in millions	December 31 2013	December 31 2012
Fair value	$ 1,087	$ 650
Weighted-average life (years)	7.9	4.3
Weighted-average constant prepayment rate	7.61%	18.78%
Decline in fair value from 10% adverse change	$ 47	$ 45
Decline in fair value from 20% adverse change	$ 91	$ 85
Weighted-average option adjusted spread	10.24%	11.15%
Decline in fair value from 10% adverse change	$ 47	$ 26
Decline in fair value from 20% adverse change	$ 91	$ 49

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

Table 103: Fees from Mortgage and Other Loan Servicing

In millions	2013	2012	2011
Fees from mortgage and other loan servicing	$544	$557	$641

We also generate servicing fees from fee-based activities provided to others for which we do not have an associated servicing asset.

Fees from commercial MSRs, residential MSRs and other loan servicing are reported on our Consolidated Income Statement in the line items Corporate services, Residential mortgage, and Consumer services, respectively.

NOTE 11 PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements, stated at cost less accumulated depreciation and amortization, were as follows:

Table 104: Premises, Equipment and Leasehold Improvements

In millions	December 31 2013	December 31 2012
Total Premises, equipment and leasehold improvements (a)	$ 8,903	$ 8,337
Accumulated depreciation and amortization	(3,285)	(2,909)
Net book value	$ 5,618	$ 5,428

(a) Primarily relates to equipment and buildings.

Depreciation expense on premises, equipment and leasehold improvements and amortization expense, primarily for capitalized internally developed software, was as follows:

Table 105: Depreciation and Amortization Expense

Year ended December 31 In millions	2013	2012	2011
Continuing operations:			
Depreciation	$546	$521	$474
Amortization	23	19	22

We lease certain facilities and equipment under agreements expiring at various dates through the year 2081. We account for these as operating leases. Rental expense on such leases was as follows:

Table 106: Lease Rental Expense

Year ended December 31 In millions	2013	2012	2011
Continuing operations:	$412	$405	$357

Required minimum annual rentals that we owe on noncancelable leases having initial or remaining terms in excess of one year totaled $2.7 billion at December 31, 2013. Future minimum annual rentals are as follows:

- 2014: $389 million,
- 2015: $339 million,
- 2016: $288 million,
- 2017: $251 million,
- 2018: $221 million, and
- 2019 and thereafter: $1.2 billion.

NOTE 12 TIME DEPOSITS

The aggregate amount of time deposits with a denomination of $100,000 or more was $9.0 billion at December 31, 2013 and $9.3 billion at December 31, 2012.

Total time deposits of $23.5 billion at December 31, 2013 have future contractual maturities, including related purchase accounting adjustments, as follows:

- 2014: $16.4 billion,
- 2015: $2.5 billion,
- 2016: $1.3 billion,
- 2017: $0.4 billion,
- 2018: $0.3 billion, and
- 2019 and thereafter: $2.6 billion.

NOTE 13 BORROWED FUNDS

The following shows the carrying value of total borrowed funds of $46.1 billion at December 31, 2013 (including primarily valuation adjustments, non-cash related accounting adjustments and unamortized original issuance discounts) by remaining contractual maturity:

- 2014: $18.5 billion,
- 2015: $5.8 billion,
- 2016: $8.0 billion,
- 2017: $4.5 billion,
- 2018: $.6 billion, and
- 2019 and thereafter: $8.7 billion.

Included in the following table are balances of long-term bank notes along with senior and subordinated debt and the related contractual rates and maturity dates at December 31, 2013.

Table 107: Bank Notes, Senior Debt and Subordinated Debt

December 31, 2013 Dollars in millions	Carrying Value	Stated Rate	Maturity
Bank notes	$ 4,075	zero-4.66%	2014-2043
Senior debt	8,528	.45%-6.70%	2014-2022
Bank notes and senior debt	$ 12,603		
Subordinated debt			
Junior	$ 205	0.81%	2028
Other	8,039	.60%-8.11%	2014-2025
Subordinated debt	$ 8,244		

Included in outstandings for the senior and subordinated debt in the table above are basis adjustments of $160 million and $212 million, respectively, related to fair value accounting hedges as of December 31, 2013.

The $205 million of junior subordinated debt included in the above table represents the carrying value of debt redeemable prior to maturity. This carrying value and related net discounts of $1 million comprise the $206 million principal amount of junior subordinated debentures that are discussed in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities.

Included in borrowed funds are FHLB borrowings of $12.9 billion at December 31, 2013, which are generally collateralized by residential mortgage loans, other mortgage-related loans and commercial mortgage-backed securities. FHLB advances of $5.0 billion have original contractual maturities of less than one year. The remainder of the FHLB borrowings have balances that will mature from 2014 – 2030, with interest rates ranging from zero to 7.33%.

Included in borrowed funds are certain borrowings which are reported at fair value. Refer to Note 9 Fair Value for additional information.

NOTE 14 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS AND PERPETUAL TRUST SECURITIES

At December 31, 2013, PNC had $206 million in principal amount of an outstanding junior subordinated debenture associated with $200 million of trust preferred securities that were issued by a subsidiary statutory trust. These trust preferred securities represented non-voting preferred beneficial interests in the assets of the following Trust:

Table 108: Capital Securities of Subsidiary Trust

Trust	Date Formed	Description of Capital Securities	Redeemable
PNC Capital Trust C	June 1998	$200 million due June 1, 2028, bearing interest at a floating rate per annum equal to 3-month LIBOR plus 57 basis points. The rate in effect at December 31, 2013 was .808%.	On or after June 1, 2008 at par.

This Trust is a wholly-owned finance subsidiary of PNC. In the event of certain changes or amendments to regulatory requirements or federal tax rules, the capital securities are redeemable in whole. In accordance with GAAP, the financial statements of the Trust are not included in PNC's consolidated financial statements.

At December 31, 2013, PNC's junior subordinated debt with a carrying value of $205 million represented debentures purchased and held as assets by the Trust and redeemable prior to maturity.

The obligations of the parent of the Trust, when taken collectively, are the equivalent of a full and unconditional guarantee of the obligations of the 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 22 Regulatory Matters. PNC is also subject to restrictions on dividends and other provisions potentially imposed under the Exchange Agreement with PNC Preferred Funding Trust II, as described in the following Perpetual Trust Securities section, and to other provisions similar to or in some ways more restrictive than those potentially imposed under that agreement.

On April 23, 2013, we redeemed the $15 million of trust preferred securities issued by the Yardville Capital Trust VI. On May 23, 2013, we redeemed $30 million of trust preferred securities issued by Fidelity Capital Trust III. On June 17, 2013 we redeemed the following trust preferred securities:

- $15 million issued by Sterling Financial Statutory Trust III,
- $15 million issued by Sterling Financial Statutory Trust IV,
- $20 million issued by Sterling Financial Statutory Trust V,
- $30 million issued by MAF Bancorp Capital Trust I, and
- $8 million issued by James Monroe Statutory Trust III.

On July 23, 2013, we redeemed the $22 million of trust preferred securities issued by Fidelity Capital Trust II. On September 16, 2013, we redeemed the $35 million of trust preferred securities issued by MAF Bancorp Capital Trust II.

Table 109: Perpetual Trust Securities Summary

We have issued certain hybrid capital vehicles that currently qualify as capital for regulatory purposes. The following table lists those that are outstanding as of December 31, 2013.

Date	Entity (a)	Private Placement (b)	Rate (c)	Trust Issuing Notes (d)
March 2007	PNC Preferred Funding LLC	$500 million	1.465%	PNC Preferred Funding Trust II (e)
December 2006	PNC Preferred Funding LLC	$500 million	1.893%	PNC Preferred Funding Trust I (f)

(a) PNC REIT Corp. owns 100% of the LLC's common voting securities. As a result, the LLC is an indirect subsidiary of PNC and is consolidated on PNC's Consolidated Balance Sheet.
(b) Fixed-to-Floating Rate Non-cumulative Exchangeable Perpetual Trust Securities.
(c) As of December 31, 2013.
(d) The trusts' investments in the LLC's preferred securities are characterized as a noncontrolling interest on our Consolidated Balance Sheet. This noncontrolling interest totaled approximately $981 million at December 31, 2013.
(e) Automatically exchangeable into a share of Series I Non-Cumulative Perpetual Preferred Stock of PNC (Series I Preferred Stock).
(f) Automatically exchangeable into a share of Series F Non-Cumulative Perpetual Preferred Stock of PNC Bank, N.A. (PNC Bank Preferred Stock).

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These Trust Securities are automatically exchangeable as set forth above 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.

On March 15, 2013 we redeemed all $375 million of the PNC Preferred Funding Trust III securities with a distribution rate of 8.7%.

Table 110: Summary of Replacement Capital Covenants of Perpetual Trust Securities

Replacement Capital Covenant (a)	Trust	Description of Capital Covenants
Trust I RCC	PNC Preferred Funding Trust I	Neither we nor our subsidiaries (other than PNC Bank, N.A. and its subsidiaries) would purchase the Trust Securities, the LLC Preferred Securities or the PNC Bank Preferred Stock unless such repurchases or redemptions are made from proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Trust I RCC.
Trust II RCC	PNC Preferred Funding Trust II	Until March 29, 2017, neither we nor our subsidiaries would purchase or redeem the Trust II Securities, the LLC Preferred Securities or the Series I Preferred Stock unless such repurchases or redemptions are made from proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Trust II RCC.

(a) As of December 31, 2013, each of the Trust I RCC and the Trust II RCC are for the benefit of holders of our $200 million of Floating Rate Junior Subordinated Notes issued in June 1998.

Table 111: Summary of Contractual Commitments of Perpetual Trust Securities

Trust	Description of Restrictions on Dividend Payments (c)
PNC Preferred Funding Trust I (a)	If full dividends are not paid in a dividend period, 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). (d)
PNC Preferred Funding Trust II (b)	If full dividends are not paid in a dividend period, 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. (e)

(a) Contractual commitments made by PNC Bank, N.A.
(b) Contractual commitments made by PNC.
(c) Applies to the applicable Trust Securities and the LLC Preferred Securities.
(d) 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.
(e) Except for: (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 any 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.

NOTE 15 EMPLOYEE BENEFIT PLANS

PENSION AND POSTRETIREMENT PLANS

We have a noncontributory, qualified defined benefit pension plan covering eligible employees. Benefits are determined using a cash balance formula where earnings credits are a percentage of eligible compensation. Earnings credit percentages for plan participants on December 31, 2009 are frozen at their level earned to that point. Earnings credits for all employees who become participants on or after January 1, 2010 are a flat 3% of eligible compensation. Participants at December 31, 2009 earn interest based on 30-year Treasury securities with a minimum rate, while new participants on or after January 1, 2010 are not subject to the minimum rate. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants.

We also maintain nonqualified supplemental retirement plans for certain employees 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 plans or make plan changes at any time.

We use a measurement date of December 31 for plan assets and benefit obligations. A reconciliation of the changes in the projected benefit obligation for qualified pension, nonqualified pension and postretirement benefit plans as well as the change in plan assets for the qualified pension plan follows.

Table 112: Reconciliation of Changes in Projected Benefit Obligation and Change in Plan Assets

	Qualified Pension		Nonqualified Pension		Postretirement Benefits	
December 31 (Measurement Date) – in millions	2013	2012	2013	2012	2013	2012
Accumulated benefit obligation at end of year	$3,890	$4,432	$ 287	$ 357		
Projected benefit obligation at beginning of year	$4,512	$4,188	$ 362	$ 297	$ 394	$ 397
National City acquisition						(1)
RBC Bank (USA) acquisition				52		13
Service cost	113	101	3	4	6	5
Interest cost	170	191	12	14	14	16
Actuarial (gains)/losses and changes in assumptions	(453)	358	(26)	28	(9)	(18)
Participant contributions					13	13
Federal Medicare subsidy on benefits paid					2	2
Early Retirement Reinsurance Program payments received						1
Benefits paid	(376)	(326)	(20)	(33)	(34)	(34)
Settlement payments			(39)		(11)	
Projected benefit obligation at end of year	$3,966	$4,512	$ 292	$ 362	$ 375	$ 394
Fair value of plan assets at beginning of year	$4,009	$3,805				
Actual return on plan assets	619	530				
Employer contribution			$ 59	$ 33	$ 30	$ 19
Participant contributions					13	13
Federal Medicare subsidy on benefits paid					2	2
Benefits paid	(376)	(326)	(20)	(33)	(34)	(34)
Settlement payments			(39)		(11)	
Fair value of plan assets at end of year	$4,252	$4,009				
Funded status	$ 286	$ (503)	$(292)	$(362)	$(375)	$(394)
Amounts recognized on the consolidated balance sheet						
Noncurrent asset	286					
Current liability			(28)	(36)	(29)	(28)
Noncurrent liability		(503)	(264)	(326)	(346)	(366)
Net amount recognized on the consolidated balance sheet	$ 286	$ (503)	$(292)	$(362)	$(375)	$(394)
Amounts recognized in accumulated other comprehensive income consist of:						
Prior service cost (credit)	$ (23)	$ (31)	$ 1	$ 1	$ (6)	$ (9)
Net actuarial loss	239	1,110	52	93	27	37
Amount recognized in AOCI	$ 216	$1,079	$ 53	$ 94	$ 21	$ 28

At December 31, 2013, the fair value of the qualified pension plan assets was greater than both the accumulated benefit obligation and the projected benefit obligation. The nonqualified pension plan is unfunded. Contributions from PNC and, in the case of the postretirement benefit plans, participant contributions cover all benefits paid under the nonqualified pension plan and postretirement benefit plans. The postretirement plan provides benefits to certain retirees that are at least actuarially equivalent to those provided by Medicare Part D and accordingly, we receive a federal subsidy as shown in Table 112.

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was enacted. Key aspects of the PPACA which are reflected in our financials include the excise tax on high-cost health plans beginning in 2018 and fees for the Transitional Reinsurance Program and the Patient-Centered Outcomes Fund. These provisions did not have a significant effect on our postretirement medical liability or costs. The Early Retiree Reinsurance Program (ERRP) was established by the PPACA. Congress appropriated funding of $5.0 billion for this temporary ERRP to provide financial assistance to employers, unions, and state and local governments to help them maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, including their spouses, surviving spouses, and dependents. In 2013, PNC did not receive reimbursement related to the 2012 plan year. PNC received reimbursement of $.9 million related to the 2011 plan year in 2012.

PNC Pension Plan Assets

Assets related to our qualified pension plan (the Plan) are held in trust (the Trust). Effective July 1, 2011, the trustee is The Bank of New York Mellon. The Trust is exempt from tax pursuant to section 501(a) of the Internal Revenue Code (the Code). The Plan is qualified under section 401(a) of the Code. Plan assets consist primarily of listed domestic and international equity securities, U.S. government and agency securities, corporate debt securities, and real estate investments. The Plan held no PNC common stock as of December 31, 2013 and December 31, 2012.

The PNC Financial Services Group, Inc. Administrative Committee (the Administrative Committee) adopted the Pension Plan Investment Policy Statement, including target allocations and allowable ranges, on August 13, 2008. On February 25, 2010, the Administrative Committee amended the investment policy to include a dynamic asset allocation approach and also updated target allocation ranges for certain asset categories. On May 23, 2013, the Administrative Committee amended the investment policy to update the target allocation ranges for certain asset categories.

The long-term investment strategy for pension plan assets is to:

- Meet present and future benefit obligations to all participants and beneficiaries,
- Cover reasonable expenses incurred to provide such benefits, including expenses incurred in the administration of the Trust and the Plan,
- Provide sufficient liquidity to meet benefit and expense payment requirements on a timely basis, and
- Provide a total return that, over the long term, maximizes the ratio of trust assets to liabilities by maximizing investment return, at an appropriate level of risk.

Under the dynamic asset allocation strategy, scenarios are outlined in which the Administrative Committee has the ability to make short to intermediate term asset allocation shifts based on factors such as the Plan's funded status, the Administrative Committee's view of return on equities relative to long term expectations, the Administrative Committee's view on the direction of interest rates and credit spreads, and other relevant financial or economic factors which would be expected to impact the ability of the Trust to meet its obligation to participants and beneficiaries. Accordingly, the allowable asset allocation ranges have been updated to incorporate the flexibility required by the dynamic allocation policy.

The Plan's specific investment objective is to meet or exceed the investment policy benchmark over the long term. The investment policy benchmark compares actual performance to a weighted market index, and measures the contribution of active investment management and policy implementation. This investment objective is expected to be achieved over the long term (one or more market cycles) and is measured over rolling five-year periods. Total return calculations are time-weighted and are net of investment-related fees and expenses.

The asset strategy allocations for the Trust at the end of 2013 and 2012, and the target allocation range at the end of 2013, by asset category, are as follows.

Table 113: Asset Strategy Allocations

	Target Allocation Range	Percentage of Plan Assets by Strategy at December 31	
PNC Pension Plan		2013	2012
Asset Category			
Domestic Equity	20 - 40%	33%	34%
International Equity	10 - 25%	23%	22%
Private Equity	0 - 15%	4%	3%
Total Equity	40 - 70%	60%	59%
Domestic Fixed Income	10 - 40%	21%	21%
High Yield Fixed Income	0 - 25%	13%	14%
Total Fixed Income	10 - 65%	34%	35%
Real estate	0 - 15%	5%	5%
Other	0 - 5%	1%	1%
Total		100%	100%

The asset category represents the allocation of Plan assets in accordance with the investment objective of each of the Plan's investment managers. Certain domestic equity investment managers utilize derivatives and fixed income securities as described in their Investment Management Agreements to achieve their investment objective under the Investment Policy Statement. Other investment managers may invest in eligible securities outside of their assigned asset category to meet their investment objectives. The actual percentage of the fair value of total Plan assets held as of December 31, 2013 for equity securities, fixed income securities, real estate and all other assets are 66%, 25%, 5% and 4%, respectively.

We believe that, over the long term, asset allocation is the single greatest determinant of risk. Asset allocation will deviate from the target percentages due to market movement, cash flows, investment manager performance and implementation of shifts under the dynamic allocation policy. Material deviations from the asset allocation targets can alter the expected return and risk of the Trust. On the other hand, frequent rebalancing to the asset allocation targets may result in significant transaction costs, which can impair the Trust's ability to meet its investment objective. Accordingly, the Trust portfolio is periodically rebalanced to maintain asset allocation within the target ranges described above.

In addition to being diversified across asset classes, the Trust is diversified within each asset class. Secondary diversification provides a reasonable basis for the expectation that no single security or class of securities will have a disproportionate impact on the total risk and return of the Trust.

The Administrative Committee selects investment managers for the Trust based on the contributions that their respective investment styles and processes are expected to make to the investment performance of the overall portfolio. The managers' Investment Objectives and Guidelines, which are a part of each manager's Investment Management Agreement, document performance expectations and each manager's role in the portfolio. The Administrative Committee uses the Investment Objectives and Guidelines to establish, guide, control and measure the strategy and performance for each manager.

The purpose of investment manager guidelines is to:

- Establish the investment objective and performance standards for each manager,
- Provide the manager with the capability to evaluate the risks of all financial instruments or other assets in which the manager's account is invested, and
- Prevent the manager from exposing its account to excessive levels of risk, undesired or inappropriate risk, or disproportionate concentration of risk.

The guidelines also indicate which investments and strategies the manager is permitted to use to achieve its performance objectives, and which investments and strategies it is prohibited from using.

Where investment strategies permit the use of derivatives and/or currency management, language is incorporated in the managers' guidelines to define allowable and prohibited transactions and/or strategies. Derivatives are typically employed by investment managers to modify risk/return characteristics of their portfolio(s), implement asset allocation changes in a cost-effective manner, or reduce transaction costs. Under the managers' investment guidelines, derivatives may not be used solely for speculation or leverage. Derivatives are to be used only in circumstances where they offer the most efficient economic means of improving the risk/reward profile of the portfolio.

BlackRock receives compensation for providing investment management services. The Asset Management Group business segment also receives compensation for payor-related services, and received compensation for providing trustee/custodian services prior to July 1, 2011. Compensation for such services is paid by PNC and was not significant for 2013, 2012 or 2011. Non-affiliate service providers for the Trust are compensated from plan assets.

Fair Value Measurements

As further described in Note 9 Fair Value, GAAP establishes the framework for measuring fair value, including a hierarchy used to classify the inputs used in measuring fair value.

A description of the valuation methodologies used for assets measured at fair value follows. There have been no significant changes in the valuation methodologies used at December 31, 2013 compared with those in place at December 31, 2012:

- Money market and mutual funds are valued at the net asset value of the shares held by the pension plan at year end.
- U.S. government and agency securities, corporate debt, common stock and preferred stock are valued at the closing price reported on the active market on which the individual securities are traded. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Such securities are generally classified within Level 2 of the valuation hierarchy but may be a Level 3 depending on the level of liquidity and activity in the market for the security.
- The collective trust fund investments are valued based upon the units of such collective trust fund held by the plan at year end multiplied by the respective unit value. The unit value of the collective trust fund is based upon significant observable inputs, although it is not based upon quoted marked prices in an active market. The underlying investments of the

collective trust funds consist primarily of equity securities, debt obligations, short-term investments, and other marketable securities. Due to the nature of these securities, there are no unfunded commitments or redemption restrictions.

- Limited partnerships are valued by investment managers based on recent financial information used to estimate fair value. Other investments held by the pension plan include derivative financial instruments and real estate, which are recorded at estimated fair value as determined by third-party appraisals and pricing models, and group annuity contracts, which are measured at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

These methods may result in fair value calculations that may not be indicative of net realizable values or future fair values. Furthermore, while the pension plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012.

Table 114: Pension Plan Assets – Fair Value Hierarchy

		Fair Value Measurements Using:		
In millions	December 31 2013 Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 130	$ 130		
U.S. government and agency securities	316	192	$ 124	
Corporate debt (a)	751		738	$ 13
Common stock	1,055	1,053	2	
Preferred stock	15		15	
Mutual funds	199	4	195	
Interest in Collective Funds (b)	1,572		1,474	98
Limited partnerships	184		2	182
Other	30		30	
Total	$ 4,252	$ 1,379	$ 2,580	$ 293

		Fair Value Measurements Using:		
In millions	December 31 2012 Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 1	$ 1		
Money market funds	92	90	$ 2	
U.S. government and agency securities	449	184	265	
Corporate debt (a)	875		853	$ 22
Common stock	984	982	2	
Preferred Stock	15		15	
Mutual funds	20	4	16	
Interest in Collective Funds (c)	1,415		1,327	88
Limited partnerships	128	1		127
Other	30	2	28	
Total	$ 4,009	$ 1,264	$ 2,508	$ 237

(a) Corporate debt includes $84 million and $115 million of non-agency mortgage-backed securities as of December 31, 2013 and 2012, respectively.
(b) The benefit plans own commingled funds that invest in equity securities. The funds seek to mirror the benchmark of the S&P 500 Index, Morgan Stanley Capital International ACWI X US Index, Morgan Stanley Capital EAFE Index, Morgan Stanley Capital Emerging Markets Index and the NCREIF ODCE NOF Index with the exception of the BlackRock Index Fund.
(c) The benefit plans own commingled funds that invest in equity and fixed income securities. The funds seek to mirror the performance of the S&P 500 Index, Russell 3000 Index, Morgan Stanley Capital International ACWI X US Index and the Dow Jones U.S. Select Real Estate Securities Index. The commingled fund that holds fixed income securities invests in domestic investment grade securities and seeks to mimic the performance of the Barclays Aggregate Bond Index.

During 2012 there were transfers of corporate and preferred stocks from Level 1 to Level 2 and transfers of mutual funds from Level 2 to Level 1. These transfers were not material and have been reflected as if they were transfers between levels.

The following summarizes changes in the fair value of the pension plan's Level 3 assets during 2013 and 2012.

Table 115: Rollforward of Pension Plan Level 3 Assets

In millions	Interest in Collective Funds	Corporate Debt	Limited Partnerships
January 1, 2013	$ 88	$ 22	$ 127
Net realized gain/(loss) on sale of investments	7	7	10
Net unrealized gain/(loss) on assets held at end of year	3	(1)	21
Purchases	87	40	48
Sales	(87)	(55)	(24)
December 31, 2013	$ 98	$ 13	$ 182

In millions	Interest in Collective Funds	Corporate Debt	Limited Partnerships	Other	Preferred Stock
January 1, 2012	$ 377	$ 77	$ 130	$ 27	$ 2
Net realized gain/(loss) on sale of investments	5	(28)	2		
Net unrealized gain/(loss) on assets held at end of year	(3)	20	(13)		
Purchases	89	30	30		
Sales	(12)	(65)	(22)		(2)
Transfers into Level 3		2			
Transfers from Level 3	(368)	(14)		(27)	
December 31, 2012	$ 88	$ 22	$ 127		

The transfers of Interest in Collective Funds from Level 3 into Level 2 during 2012 resulted from changes in significant observable inputs as to the level of trading activity in these funds. The transfers of Corporate Debt and Other investments into and from Level 3 were due to changes in significant observable inputs during 2012.

The following table provides information regarding our estimated future cash flows related to our various plans.

Table 116: Estimated Cash Flows

	Postretirement Benefits			
In millions	Qualified Pension	Nonqualified Pension	Gross PNC Benefit Payments	Reduction in PNC Benefit Payments Due to Medicare Part D Subsidy
Estimated 2014 employer contributions		$ 28	$ 32	$ 2
Estimated future benefit payments				
2014	$ 248	$ 28	$ 32	$ 2
2015	256	27	32	2
2016	264	26	32	2
2017	271	25	32	2
2018	275	25	33	2
2019 – 2023	1,431	109	150	7

The qualified pension plan contributions are deposited into the Trust, and the qualified pension plan benefit payments are paid from the Trust. The Plan is overfunded as of December 31, 2013, and PNC's required qualified pension contribution for 2014 is expected to be zero based on the funding calculations under the Pension Protection Act of 2006. For the other plans, total contributions and the benefit payments are the same and represent expected benefit amounts, which are paid from general assets. Postretirement benefits are net of participant contributions.

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The components of net periodic benefit cost/(income) and other amounts recognized in Other comprehensive income (OCI) were as follows.

Table 117: Components of Net Periodic Benefit Cost

	Qualified Pension Plan			Nonqualified Pension Plan			Postretirement Benefits		
Year ended December 31 – in millions	2013	2012	2011	2013	2012	2011	2013	2012	2011
Net periodic cost consists of:									
Service cost	$ 113	$ 101	$ 94	$ 3	$ 4	$ 4	$ 6	$ 5	$ 7
Interest cost	170	191	196	12	14	13	14	16	19
Expected return on plan assets	(288)	(284)	(298)						
Amortization of prior service cost/(credit)	(8)	(8)	(8)				(3)	(3)	(3)
Amortization of actuarial (gain)/loss	87	89	19	8	6	5		(1)	
Settlement (gain)/loss				7			1		
Net periodic cost (benefit)	74	89	3	30	24	22	18	17	23
Other changes in plan assets and benefit obligations recognized in Other comprehensive income:									
Amortization of prior service (cost)/credit	8	8	8				3	3	3
Current year actuarial loss/(gain)	(784)	112	579	(26)	27	15	(9)	(18)	(1)
Amortization of actuarial gain/(loss)	(87)	(89)	(19)	(15)	(6)	(5)	(1)		(1)
Total recognized in OCI	(863)	31	568	(41)	21	10	(7)	(15)	1
Total recognized in net periodic cost and OCI	$(789)	$ 120	$ 571	$ (11)	$ 45	$ 32	$11	$ 2	$ 24

The weighted-average assumptions used (as of the beginning of each year) to determine the net periodic costs shown above were as follows.

Table 118: Net Periodic Costs – Assumptions

	Net Periodic Cost Determination		
Year ended December 31	2013	2012	2011
Discount rate			
Qualified pension	3.80%	4.60%	5.20%
Nonqualified pension	3.45	4.20	4.80
Postretirement benefits	3.60	4.40	5.00
Rate of compensation increase (average)	4.00	4.00	4.00
Assumed health care cost trend rate			
Initial trend	8.00	8.00	8.00
Ultimate trend	5.00	5.00	5.00
Year ultimate reached	2019	2019	2019
Expected long-term return on plan assets	7.50	7.75	7.75

The weighted-average assumptions used (as of the end of each year) to determine year end obligations for pension and postretirement benefits were as follows.

Table 119: Other Pension Assumptions

Year ended December 31	2013	2012
Discount rate		
Qualified pension	4.75%	3.80%
Nonqualified pension	4.35	3.45
Postretirement benefits	4.50	3.60
Rate of compensation increase (average)	4.00	4.00
Assumed health care cost trend rate		
Initial trend	7.75	8.00
Ultimate trend	5.00	5.00
Year ultimate reached	2025	2019

The discount rates are determined independently for each plan by comparing the expected future benefits that will be paid under each plan with yields available on high quality corporate bonds of similar duration. For this analysis, 10% of bonds with the highest yields and 40% with the lowest yields were removed from the bond universe.

The expected return on plan assets is a long-term assumption established by considering historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes. We review this assumption at each measurement date and adjust it if warranted. This assumption will be changed from 7.50% to 7.00% for determining 2014 net periodic cost.

The health care cost trend rate assumptions shown in the preceding tables relate only to the postretirement benefit plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects.

Table 120: Effect of One Percent Change in Assumed Health Care Cost

Year ended December 31, 2013 In millions	Increase	Decrease
Effect on year end benefit obligation	$ 11	$ (10)

Unamortized actuarial gains and losses and prior service costs and credits are recognized in AOCI each December 31, with amortization of these amounts through net periodic benefit cost. The estimated amounts that will be amortized in 2014 are as follows.

Table 121: Estimated Amortization of Unamortized Actuarial Gains and Losses – 2014

	2014 Estimate		
Year ended December 31 In millions	Qualified Pension	Nonqualified Pension	Postretirement Benefits
Prior service (credit)	$ (8)		$ (2)
Net actuarial loss		$ 3	
Total	$ (8)	$ 3	$ (2)

Defined Contribution Plans

We have a qualified defined contribution plan that covers all eligible PNC employees. Employees hired prior to January 1, 2010 became 100% vested immediately, while employees hired on or after January 1, 2010 become vested 100% after three years of service. Employee benefits expense related to defined contribution plans was $120 million in 2013, $111 million in 2012 and $105 million in 2011. We measure employee benefits expense as the fair value of the shares and cash contributed to the plan by PNC.

Under the PNC Incentive Savings Plan, employee contributions up to 4% of eligible compensation as defined by the plan are matched 100%, subject to Code limitations. PNC will contribute a minimum matching contribution of $2,000 to employees who contribute at least 4% of eligible compensation every pay period during the year. This amount is prorated for certain employees, including part-time employees and those who are eligible for the company match for less than a full year. Additionally, for participants who meet the annual deferral limit or the annual compensation limit before the end of a calendar year, PNC makes a true-up matching contribution to ensure that such participants receive the full company match available. Effective January 1, 2012, in the case of both the minimum and true-up matching contributions, eligible employees must remain employed on the last day of the applicable plan year in order to receive the contribution. Minimum matching contributions made with respect to the 2013 and 2012 plan years are immediately 100% vested. The plan is a 401(k) Plan and includes a stock ownership (ESOP) feature. Employee contributions are invested in a number of investment options, including pre mixed portfolios and individual core funds, available under the plan at the direction of the employee. Although employees were also historically permitted to direct the investment of their contributions into the PNC common stock fund, this fund was frozen to future investments of such contributions effective January 1, 2010. All shares of PNC common stock held by the plan are part of the ESOP. Effective January 1, 2011, employer matching contributions were made in cash.

We also maintain a nonqualified supplemental savings plan for certain employees, known as The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan. Effective January 1, 2012, the Supplemental Incentive Savings Plan was frozen to new participants and for any deferrals of amounts earned on or after such date. It was replaced by a new plan called The PNC Financial Services Group, Inc. Deferred Compensation and Incentive Plan (DCIP).

NOTE 16 STOCK BASED COMPENSATION PLANS

We have long-term incentive award plans (Incentive Plans) that provide for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, incentive shares/performance units, restricted stock, restricted share units, other share-based awards and dollar-denominated awards to executives and, other than incentive stock options, to non-employee directors. Certain Incentive Plan awards may be paid in stock, cash or a combination of stock and cash. We typically grant a substantial portion of our stock-based compensation awards during the first quarter of the year. As of December 31, 2013, no stock appreciation rights were outstanding. Total compensation expense recognized related to all share-based payment arrangements during 2013, 2012 and 2011 was approximately $154 million, $101 million and $103 million, respectively. At December 31, 2013, there was $129 million of unamortized share-based compensation expense related to nonvested equity compensation arrangements granted under the Incentive Plans. This unamortized cost is expected to be recognized as expense over a period of no longer than five years.

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 by surrendering shares of common stock at market value on the exercise date. The exercise price may also be paid by using previously owned shares.

OPTION PRICING ASSUMPTIONS

For purposes of computing stock option expense, we estimate the fair value of stock options at the grant date primarily by using the Black-Scholes option-pricing model. Option pricing models require the use of numerous assumptions, many of which are subjective.

We used the following assumptions in the option pricing models to determine 2013, 2012 and 2011 grant date fair value:

- The risk-free interest rate is based on the U.S. Treasury yield curve,
- The dividend yield typically represents average yields over the previous three-year period, however starting with the grants made after the first quarter of 2009, we used a yield indicative of our current dividend rate,
- Volatility is measured using the fluctuation in month-end closing stock prices over a period which corresponds with the average expected option life, but in no case less than a five-year period, and
- The expected life assumption represents the period of time that options granted are expected to be outstanding and is based on a weighted-average of historical option activity.

Table 122: Option Pricing Assumptions

Weighted-average for the year ended December 31	2013	2012	2011
Risk-free interest rate	.9%	1.1%	2.8%
Dividend yield	2.5	2.3	0.6
Volatility	34.0	35.1	34.7
Expected life	6.5 yrs.	5.9 yrs.	5.9 yrs.
Grant date fair value	$ 16.35	$ 16.22	$ 22.82

There were no options granted in 2013, 2012 and 2011 where the grant date fair value exceeded the market value.

Table 123: Stock Option Rollforward

	PNC		PNC Options Converted From National City		Total			
Year ended December 31, 2013 In thousands, except weighted-average data	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1	14,817	$ 55.52	747	$681.16	15,564	$ 85.55		
Granted	161	63.87			161	63.87		
Exercised	(4,110)	50.51			(4,110)	50.51		
Cancelled	(514)	56.93	(203)	731.74	(717)	247.91		
Outstanding, December 31	10,354	$ 57.57	544	$662.28	10,898	$ 87.75	4.5 years	$207,248
Vested and expected to vest, December 31 (a)	10,339	$ 57.56	544	$662.28	10,883	$ 87.79	4.5 years	$207,025
Exercisable, December 31	9,660	$ 57.20	544	$662.28	10,204	$ 89.46	4.2 years	$196,859

(a) Adjusted for estimated forfeitures on unvested options.

To determine stock-based compensation expense, the grant date fair value is applied to the options granted with a reduction for estimated forfeitures. We recognize compensation expense for stock options on a straight-line basis over the specified vesting period.

At December 31, 2012 and 2011, options for 12,759,000 and 12,337,000 shares of common stock were exercisable at a weighted-average price of $90.86 and $106.08, respectively. The total intrinsic value of options exercised during 2013, 2012 and 2011 was $86 million, $37 million and $4 million, respectively.

The total tax benefit recognized related to compensation expense on all share-based payment arrangements during 2013, 2012 and 2011 was approximately $56 million, $37 million and $38 million, respectively. Cash received from option exercises under all Incentive Plans for 2013, 2012 and 2011 was approximately $208 million, $118 million and $41 million, respectively. The tax benefit realized from option exercises under all Incentive Plans for 2013, 2012 and 2011 was approximately $31 million, $14 million and $1 million, respectively.

Shares of common stock available during the next year for the granting of options and other awards under the Incentive Plans were 24,535,159 at December 31, 2013. Total shares of PNC common stock authorized for future issuance under equity compensation plans totaled 25,712,719 shares at December 31, 2013, which includes shares available for issuance under the Incentive Plans and the Employee Stock Purchase Plan (ESPP) as described below.

During 2013, we issued approximately 2.6 million shares from treasury stock in connection with stock option exercise activity. As with past exercise activity, we currently intend to utilize primarily treasury stock for any future stock option exercises.

Awards granted to non-employee directors in 2013, 2012 and 2011 include 27,076, 25,620 and 27,090 deferred stock units, respectively, awarded under the Outside Directors Deferred Stock Unit Plan. A deferred stock unit is a phantom share of our common stock, which is accounted for as a liability until such awards are paid to the participants in cash. As there are no vesting or service requirements on these awards, total compensation expense is recognized in full for these awards on the date of grant.

Incentive/Performance Unit Share Awards and Restricted Stock/Share Unit Awards

The fair value of nonvested incentive/performance unit share awards and restricted stock/share unit awards is initially determined based on prices not less than the market value of our common stock on the date of grant. The value of certain incentive/performance unit share awards is subsequently remeasured based on the achievement of one or more financial and other performance goals, generally over a three-year period. The Personnel and Compensation Committee ("P&CC") of the Board of Directors approves the final award payout with respect to certain incentive/performance unit share awards. Restricted stock/share unit awards have various vesting periods generally ranging from 3 years to 5 years.

Beginning in 2013, we incorporated several enhanced risk-related performance changes to certain long-term incentive compensation programs. In addition to achieving certain financial performance metrics on both an absolute basis and relative to our peers, final payout amounts will be subject to reduction if PNC fails to meet certain risk-related performance metrics as specified in the award agreement. However, the P&CC has the discretion to waive any or all of this reduction under certain circumstances. These awards have either a three-year or a four-year performance period and are payable in either stock or a combination of stock and cash.

Additionally, performance-based restricted share units were granted in 2013 to certain executives as part of annual bonus deferral criteria. These units, payable solely in stock, vest ratably over a four-year period and contain the same risk-related discretionary criteria noted in the preceding paragraph.

The weighted-average grant date fair value of incentive/performance unit share awards and restricted stock/unit awards granted in 2013, 2012 and 2011 was $64.77, $60.68 and $63.25 per share, respectively. The total fair value of incentive/performance unit share and restricted stock/unit awards vested during 2013, 2012 and 2011 was approximately $63 million, $55 million and $52 million, respectively. We recognize compensation expense for such awards ratably over the corresponding vesting and/or performance periods for each type of program.

Table 124: Nonvested Incentive/Performance Unit Share Awards and Restricted Stock/Share Unit Awards – Rollforward

Shares in thousands	Nonvested Incentive/ Performance Unit Shares	Weighted-Average Grant Date Fair Value	Nonvested Restricted Stock/ Share Units	Weighted-Average Grant Date Fair Value
December 31, 2012	1,119	$ 61.14	3,061	$ 60.04
Granted	926	64.36	1,288	65.06
Vested/Released	(326)	58.26	(674)	55.22
Forfeited	(72)	62.02	(192)	62.37
December 31, 2013	1,647	$ 63.49	3,483	$ 62.70

In the preceding table, 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.

LIABILITY AWARDS

A summary of all nonvested, cash-payable restricted share unit activity follows:

Table 125: Nonvested Cash-Payable Restricted Share Units – Rollforward

In thousands	Nonvested Cash-Payable Restricted Share Units	Aggregate Intrinsic Value
Outstanding at December 31, 2012	920	
Granted	485	
Vested and Released	(457)	
Forfeited	(7)	
Outstanding at December 31, 2013	941	$73,015

Included in the preceding table are cash-payable restricted share units granted to certain executives. These grants were made primarily as part of an annual bonus incentive deferral plan. While there are time-based and other vesting criteria, there are generally no market or performance criteria associated with these awards. Compensation expense recognized related to these awards was recorded in prior periods as part of annual cash bonus criteria. As of December 31, 2013, there were 824,696 of these cash-payable restricted share units outstanding.

The total of all share-based liability awards paid out during 2013, 2012 and 2011 was approximately $29 million, $39 million and $34 million, respectively.

EMPLOYEE STOCK PURCHASE PLAN

As of December 31, 2013, our ESPP had approximately 1.2 million shares available for issuance. Full-time employees with six months and part-time employees with 12 months of continuous employment with a participating PNC entity are eligible to participate in the ESPP at the commencement of the next six-month offering period. Eligible participants may purchase our common stock at 95% of the fair market value on the last day of each six-month offering period. No charge to earnings is recorded with respect to the ESPP.

Table 126: Employee Stock Purchase Plan – Summary

Year ended December 31	Shares Issued	Purchase Price Per Share
2013	167,260	$ 69.27 and $73.70
2012	183,892	$ 58.05 and $55.39
2011	165,408	$ 56.63 and $54.79

BLACKROCK LTIP AND EXCHANGE AGREEMENTS

BlackRock adopted the 2002 LTIP program to help attract and retain qualified professionals. At that time, PNC agreed to transfer up to 4 million shares of BlackRock common stock to fund a portion of the 2002 LTIP program and future LTIP programs approved by BlackRock's Board of Directors, subject to certain conditions and limitations. Approximately 1.1 million shares of BlackRock common stock were transferred by PNC and distributed to LTIP participants in connection with the 2002 LTIP program.

In 2009, PNC's obligation to deliver its BlackRock common shares to BlackRock under LTIP programs was replaced with an obligation to deliver shares of BlackRock's Series C Preferred Stock. This change was part of an Exchange Agreement with BlackRock whereby PNC acquired 2.9 million shares of Series C Preferred Stock from BlackRock in exchange for common shares.

In 2011, we transferred approximately 1.3 million shares of BlackRock Series C Preferred Stock to BlackRock in connection with our obligation. On January 31, 2013, we transferred an additional 205,350 shares to BlackRock in connection with our obligation. After this transfer and at December 31, 2013, we hold approximately 1.3 million shares of BlackRock Series C Preferred Stock which are available to fund our obligation in connection with the BlackRock LTIP programs.

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 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 9 Fair Value.

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NOTE 17 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. Residential and commercial real estate loan commitments associated with loans to be sold also qualify as derivative instruments.

The following table presents the notional amounts and gross fair values of all derivative assets and liabilities held by PNC:

Table 127: Total Gross Derivatives

	December 31, 2013			December 31, 2012		
In millions	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Derivatives designated as hedging instruments under GAAP	$ 36,197	$1,189	$ 364	$ 29,270	$1,872	$ 152
Derivatives not designated as hedging instruments under GAAP	345,059	3,604	3,570	337,086	6,696	6,458
Total gross derivatives	$381,256	$4,793	$3,934	$366,356	$8,568	$6,610

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

All derivatives are carried on our Consolidated Balance Sheet at fair value. Derivative balances are presented on the Consolidated Balance Sheet on a net basis taking into consideration the effects of legally enforceable master netting agreements and any related cash collateral exchanged with counterparties. Further discussion regarding the rights of setoff associated with these legally enforceable master netting agreements is included in the Offsetting, Counterparty Credit Risk, and Contingent Features section below. Our exposure related to risk participations where we sold protection is discussed in the Credit Derivatives section below. Any nonperformance risk, including credit risk, is included in the determination of the estimated net fair value of the derivatives.

Further discussion on how derivatives are accounted for is included in Note 1 Accounting Policies.

DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS UNDER GAAP

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, derivatives hedging the variability of expected future cash flows are considered cash flow hedges, and derivatives hedging a net investment in a foreign subsidiary are considered net investment 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.

Further detail regarding the notional amounts and fair values related to derivatives designated in hedge relationships is presented in the following table:

Table 128: Derivatives Designated As Hedging Instruments under GAAP

	December 31, 2013			December 31, 2012		
In millions	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Interest rate contracts:						
Fair value hedges:						
Receive-fixed swaps (c)	$16,446	$ 871	$ 230	$12,394	$1,365	
Pay-fixed swaps (c) (d)	4,076	54	66	2,319	2	$ 144
Subtotal	$20,522	$ 925	$ 296	$14,713	$1,367	$ 144
Cash flow hedges:						
Receive-fixed swaps (c)	$14,737	$ 264	$ 58	$13,428	$ 504	
Forward purchase commitments				250	1	
Subtotal	$14,737	$ 264	$ 58	$13,678	$ 505	
Foreign exchange contracts:						
Net investment hedge	938		10	879		8
Total derivatives designated as hedging instruments	$36,197	$1,189	$ 364	$29,270	$1,872	$ 152

(a) Included in Other assets on our Consolidated Balance Sheet.
(b) Included in Other liabilities on our Consolidated Balance Sheet.
(c) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 43% were based on 1-month LIBOR and 57% on 3-month LIBOR at December 31, 2013 compared with 51% and 49%, respectively, at December 31, 2012.
(d) Includes zero-coupon swaps.

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 may include bank notes, Federal Home Loan Bank borrowings, and senior and subordinated debt. We also enter into pay-fixed, receive-variable interest rate swaps and zero-coupon swaps to hedge changes in the fair value of fixed rate and zero-coupon investment securities caused by fluctuations in market interest rates. The specific products hedged include U.S. Treasury, government agency and other debt 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.

The ineffective portion of the change in value of our fair value hedge derivatives resulted in net losses of $37 million for 2013 compared with net losses of $54 million for 2012 and net losses of $17 million for 2011. Further detail regarding gains (losses) on fair value hedge derivatives and related hedged items is presented in the following table:

Table 129: Gains (Losses) on Derivatives and Related Hedged Items – Fair Value Hedges

			Year ended					
			December 31, 2013		December 31, 2012		December 31, 2011	
In millions	Hedged Items	Location	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount
Interest rate contracts	U.S. Treasury and Government Agencies Securities	Investment securities (interest income)	$ 102	$ (107)	$ (26)	$ 23	$ (153)	$ 162
Interest rate contracts	Other Debt Securities	Investment securities (interest income)	9	(8)	(1)	1	(23)	23
Interest rate contracts	Subordinated debt	Borrowed funds (interest expense)	(393)	368	(30)	(9)	214	(229)
Interest rate contracts	Bank notes and senior debt	Borrowed funds (interest expense)	(351)	343	68	(80)	265	(276)
Total			$ (633)	$ 596	$ 11	$ (65)	$ 303	$ (320)

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 received on the loans. In the 12 months that follow December 31, 2013, we expect to reclassify from the amount currently reported in Accumulated other comprehensive income, net derivative gains of $233 million pretax, or $151 million after-tax, in association with interest received on the hedged loans. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to December 31, 2013. 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 investment securities. 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 December 31, 2013, we expect to reclassify from the amount currently reported in Accumulated other comprehensive income, net derivative gains of $13 million pretax, or $8 million after-tax, as adjustments of yield on investment securities. As of December 31, 2013 there were no forward purchase or sale contracts designated in a cash flow hedge relationship.

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

During 2013, 2012, and 2011 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. The amount of cash flow hedge ineffectiveness recognized in income for 2013, 2012, and 2011 was not material to PNC's results of operations.

Further detail regarding gains (losses) on derivatives and related cash flows is presented in the following table:

Table 130: Gains (Losses) on Derivatives and Related Cash Flows – Cash Flow Hedges (a) (b)

	Year ended December 31		
In millions	2013	2012	2011
Gains (Losses) on Derivatives Recognized in OCI – (Effective Portion)	$(141)	$ 312	$805
Less: Gains (Losses) Reclassified from Accumulated OCI into Income – (Effective Portion)			
Interest income	337	456	455
Noninterest income	49	76	43
Total Gains (Losses) Reclassified from Accumulated OCI into Income – (Effective Portion)	386	532	498
Net unrealized gains (losses) on cash flow hedge derivatives	$(527)	$(220)	$307

(a) All cash flow hedge derivatives are interest rate contracts as of December 31, 2013, December 31, 2012 and December 31, 2011.
(b) The amount of cash flow hedge ineffectiveness recognized in income was not material for the periods presented.

NET INVESTMENT HEDGES

We enter into foreign currency forward contracts to hedge non-U.S. Dollar (USD) net investments in foreign subsidiaries against adverse changes in foreign exchange rates. We assess whether the hedging relationship is highly effective in achieving offsetting changes in the value of the hedge and hedged item by qualitatively verifying that the critical terms of the hedge and hedged item match at the inception of the hedging relationship and on an ongoing basis. There were no components of derivative gains or losses excluded from the assessment of the hedge effectiveness.

For 2013, 2012, and 2011 there was no net investment hedge ineffectiveness.

Further detail on gains (losses) on net investment hedge derivatives is presented in the following table:

Table 131: Gains (Losses) on Derivatives – Net Investment Hedges (a)

	Year ended December 31	
In millions	2013	2012
Gains (Losses) on Derivatives Recognized in OCI (Effective Portion)		
Foreign exchange contracts	$ (21)	$ (27)

(a) The loss recognized in Accumulated other comprehensive income was less than $1 million as of December 31, 2011.

DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS UNDER GAAP

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

Further detail regarding the notional amounts and fair values related to derivatives not designated in hedge relationships is presented in the following table:

Table 132: Derivatives Not Designated As Hedging Instruments under GAAP

In millions	December 31, 2013 Notional/ Contract Amount	December 31, 2013 Asset Fair Value (a)	December 31, 2013 Liability Fair Value (b)	December 31, 2012 Notional/ Contract Amount	December 31, 2012 Asset Fair Value (a)	December 31, 2012 Liability Fair Value (b)
Derivatives used for residential mortgage banking activities:						
Residential mortgage servicing						
Interest rate contracts:						
Swaps	$ 37,424	$ 654	$ 360	$ 59,607	$ 2,204	$ 1,790
Swaptions	845	18	18	5,890	209	119
Futures (c)	49,250			49,816		
Futures options	24,000	10	2	34,350	5	2
Mortgage-backed securities commitments	832		3	3,429	3	1
Subtotal	$112,351	$ 682	$ 383	$153,092	$ 2,421	$ 1,912
Loan sales						
Interest rate contracts:						
Futures (c)	$ 350			$ 702		
Bond options	200	$ 1		900	$ 3	
Mortgage-backed securities commitments	5,173	26	$ 9	8,033	5	$ 14
Residential mortgage loan commitments	1,605	13		4,092	85	
Subtotal	$ 7,328	$ 40	$ 9	$ 13,727	$ 93	$ 14
Subtotal	$119,679	$ 722	$ 392	$166,819	$ 2,514	$ 1,926
Derivatives used for commercial mortgage banking activities						
Interest rate contracts:						
Swaps	$ 2,158	$ 23	$ 52	$ 1,222	$ 56	$ 84
Swaptions	125		3			
Futures (c)	4,598			2,030		
Futures options	45,500	15	4			
Commercial mortgage loan commitments	673	20	11	1,259	12	9
Subtotal	$ 53,054	$ 58	$ 70	$ 4,511	$ 68	$ 93
Credit contracts:						
Credit default swaps	95			95	2	
Subtotal	$ 53,149	$ 58	$ 70	$ 4,606	$ 70	$ 93
Derivatives used for customer-related activities:						
Interest rate contracts:						
Swaps	$134,408	$ 2,540	$ 2,445	$127,567	$ 3,869	$ 3,917
Caps/floors – Sold	4,789		11	4,588		1
Caps/floors – Purchased	5,519	37		4,187	21	
Swaptions	2,354	49	51	2,285	82	35
Futures (c)	1,856			9,113		
Mortgage-backed securities commitments	1,515	4	3	1,736	2	2
Subtotal	$150,441	$ 2,630	$ 2,510	$149,476	$ 3,974	$ 3,955
Foreign exchange contracts	14,316	192	172	10,737	126	112
Equity contracts				105	1	3
Credit contracts:						
Risk participation agreements	4,777	2	4	3,530	5	6
Subtotal	$169,534	$ 2,824	$ 2,686	$163,848	$ 4,106	$ 4,076
Derivatives used for other risk management activities:						
Interest rate contracts:						
Swaps	$ 511			$ 601	$ 4	
Futures (c)	838			274		
Subtotal	$ 1,349			$ 875	$ 4	
Foreign exchange contracts	8			17		$ 3
Equity contracts				8	2	2
Credit contracts:						
Credit default swaps				15		
Other contracts (d)	1,340		$ 422	898		358
Subtotal	$ 2,697		$ 422	$ 1,813	$ 6	$ 363
Total derivatives not designated as hedging instruments	$345,059	$ 3,604	$ 3,570	$337,086	$ 6,696	$ 6,458

(a) Included in Other assets on our Consolidated Balance Sheet.
(b) Included in Other liabilities on our Consolidated Balance Sheet.
(c) Futures contracts settle in cash daily and therefore, no derivative asset or liability is recognized on our Consolidated Balance Sheet.
(d) Includes PNC's obligation to fund a portion of certain BlackRock LTIP programs and the swaps entered into in connection with sales of a portion of Visa Class B common shares in the second and third quarters of 2013 and second half of 2012. Refer to Note 9 Fair Value for additional information on the Visa swaps.

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 contracts to sell mortgage-backed securities, as well as U.S. 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, options, 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.

Certain commercial mortgage loans held for sale are accounted for at fair value. These loans, and the related loan commitments, which are considered derivatives, are accounted for at fair value. In addition we originate loans for sale into the secondary market that are carried at the lower of cost or 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. Derivatives used to economically hedge the change in value of commercial mortgage servicing rights include interest rate futures, swaps and options. Gains or losses on these derivatives are included in Corporate services noninterest income.

The residential and commercial mortgage 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 contracts. We primarily manage our market risk exposure from customer transactions by entering into a variety of hedging transactions with third-party dealers. Gains and losses on customer-related derivatives 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. Our ultimate obligation under written options is based on future market conditions.

The derivatives portfolio also includes derivatives used for other risk management activities. These derivatives are entered into based on stated risk management objectives and include credit default swaps (CDSs) used to mitigate the risk of economic loss on a portion of our loan exposure. 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. There were no credit default swaps sold as of December 31, 2013 and December 31, 2012. 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. CDSs are included in these derivative tables: Tables 132, 134, 135 and 136.

Further detail regarding the gains (losses) on derivatives not designated in hedging relationships is presented in the following table:

Table 133: Gains (Losses) on Derivatives Not Designated As Hedging Instruments under GAAP

	Year ended December 31		
In millions	2013	2012	2011
Derivatives used for residential mortgage banking activities:			
Residential mortgage servicing			
Interest rate contracts	$(223)	$ 269	$571
Loan sales			
Interest rate contracts	286	127	54
Gains (losses) included in residential mortgage banking activities (a)	$ 63	$ 396	$625
Derivatives used for commercial mortgage banking activities:			
Interest rate contracts (b) (c)	$ 12	$ 35	$ 5
Credit contracts (c)	(2)	(3)	6
Gains (losses) from commercial mortgage banking activities	$ 10	$ 32	$ 11
Derivatives used for customer-related activities:			
Interest rate contracts	$ 149	$ 106	$ 78
Foreign exchange contracts	7	83	104
Equity contracts	(3)	(4)	(3)
Credit contracts	(1)	(3)	2
Gains (losses) from customer-related activities (c)	$ 152	$ 182	$181
Derivatives used for other risk management activities:			
Interest rate contracts	$ 3	$ (11)	$ (43)
Foreign exchange contracts	2	(2)	(2)
Credit contracts		(1)	(1)
Other contracts (d)	(168)	(94)	11
Gains (losses) from other risk management activities (c)	$(163)	$(108)	$ (35)
Total gains (losses) from derivatives not designated as hedging instruments	$ 62	$ 502	$782

(a) Included in Residential mortgage noninterest income.
(b) Included in Corporate services noninterest income.
(c) Included in Other noninterest income.
(d) Includes BlackRock LTIP funding obligation, a forward purchase commitment for certain loans upon conversion from a variable rate to a fixed rate, and the swaps entered into in connection with sales of a portion of Visa Class B common shares.

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. Detail regarding credit default swaps and risk participations sold follows.

Table 134: Credit Default Swaps (a)

	December 31, 2013			December 31, 2012		
Dollars in millions	Notional Amount	Fair Value (b)	Weighted-Average Remaining Maturity In Years	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years
Credit Default Swaps – Purchased						
Single name	$ 35		7.3	$ 50		5.8
Index traded	60		35.2	60	$ 2	36.1
Total	$ 95		24.9	$ 110	$ 2	22.4

(a) There were no credit default swaps sold as of December 31, 2013 and December 31, 2012.
(b) The fair value of credit default swaps purchased is less than $1 million as of December 31, 2013.

The notional amount of these credit default swaps by credit rating is presented in the following table:

Table 135: Credit Ratings of Credit Default Swaps (a)

Dollars in millions	December 31, 2013	December 31, 2012
Credit Default Swaps – Purchased		
Investment grade (b)	$ 95	$ 95
Subinvestment grade (c)		15
Total	$ 95	$ 110

(a) There were no credit default swaps sold as of December 31, 2013 and December 31, 2012.
(b) Investment grade with a rating of BBB-/Baa3 or above based on published rating agency information.
(c) Subinvestment grade with a rating below BBB-/Baa3 based on published rating agency information.

The referenced/underlying assets for these credit default swaps is presented in the following table:

Table 136: Referenced/Underlying Assets of Credit Default Swaps

	December 31, 2013	December 31, 2012
Corporate Debt	37%	32%
Commercial mortgage-backed securities	63%	54%
Loans	0%	14%

RISK PARTICIPATION AGREEMENTS

We also 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 purchased and sold are included in these derivative tables: Tables 132 and 133.

Further detail regarding the notional amount, fair value and weighted average remaining maturities in years for risk participation agreements sold is presented in the following table:

Table 137: Risk Participation Agreements Sold

	December 31, 2013			December 31, 2012		
Dollars in millions	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years
Risk Participation Agreements Sold	$2,770	$ (4)	6.1	$2,053	$ (6)	6.6

Based on our internal risk rating process of the underlying third parties to the swap contracts, the percentages of the exposure amount of risk participation agreements sold by internal credit rating follow:

Table 138: Internal Credit Ratings of Risk Participation Agreements Sold

	December 31, 2013	December 31, 2012
Pass (a)	98%	99%
Below pass (b)	2%	1%

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

We have sold risk participation agreements with terms ranging from less than 1 year to 23 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. Assuming all underlying swap counterparties defaulted at December 31, 2013, the exposure from these agreements would be $77 million based on the fair value of the underlying swaps, compared with $143 million at December 31, 2012.

OFFSETTING, COUNTERPARTY CREDIT RISK, AND CONTINGENT FEATURES

We, generally, utilize a net presentation on the Consolidated Balance Sheet for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. The master netting agreements reduce credit risk by permitting the closeout netting of various types of derivative instruments with the same counterparty upon the occurrence of an event of default. The master netting agreement also may require the exchange of cash or marketable securities to collateralize either party's net position. In certain cases, minimum thresholds must be exceeded before any collateral is exchanged. Collateral is typically exchanged daily based on the net fair value of the positions with the counterparty as of the preceding day. Any cash collateral exchanged with counterparties under these master netting agreements is also netted against the applicable derivative fair values on the Consolidated Balance Sheet. However, the fair value of any securities held or pledged is not included in the net presentation on the balance sheet. In order for an arrangement to be eligible for netting under GAAP (ASC 210-20), we must obtain the requisite assurance that the offsetting rights included in the master netting agreement would be legally enforceable in the event of bankruptcy, insolvency, or a similar proceeding of such third party. Enforceability is evidenced by obtaining a legal opinion that supports, with sufficient confidence, the enforceability of the master netting agreement in bankruptcy.

The following derivative Table 139 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of December 31, 2013 and December 31, 2012. The table also includes the fair value of any securities collateral held or pledged under legally enforceable master netting agreements. Cash and securities collateral amounts are included in the table only to the extent of the related net derivative fair values.

For further discussion on ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and the impact of other instruments entered into under master netting arrangements, see Note 1 Accounting Policies. Refer to Note 24 Commitments and Guarantees for additional information related to resale and repurchase agreements offsetting.

Table 139: Derivative Assets and Liabilities Offsetting

		Amounts Offset on the Consolidated Balance Sheet				
December 31, 2013 In millions	Gross Fair Value Derivative Assets	Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Assets	Securities Collateral Held Under Master Netting Agreements	Net Amounts
Derivative assets						
Interest rate contracts	$ 4,599	$ 2,468	$ 556	$ 1,575	$ 115	$1,460
Foreign exchange contracts	192	64	9	119		119
Credit contracts	2	1		1		1
Total derivative assets (a) (b)	$ 4,793	$ 2,533	$ 565	$ 1,695(c)	$ 115	$1,580

		Amounts Offset on the Consolidated Balance Sheet				
December 31, 2013 In millions	Gross Fair Value Derivative Liabilities	Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Liabilities	Securities Collateral Pledged Under Master Netting Agreements	Net Amounts
Derivative liabilities						
Interest rate contracts	$ 3,326	$ 2,447	$ 473	$ 406	$ –	$ 406
Foreign exchange contracts	182	83	23	76		76
Credit contracts	4	3	1			
Other contracts	422			422		422
Total derivative liabilities (a) (b)	$ 3,934	$ 2,533	$ 497	$ 904(d)	$ –	$ 904

		Amounts Offset on the Consolidated Balance Sheet				
December 31, 2012 In millions	Gross Fair Value Derivative Assets	Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Assets	Securities Collateral Held Under Master Netting Agreements	Net Amounts
Derivative assets						
Interest rate contracts	$ 8,432	$ 5,041	$ 1,024	$ 2,367	$ 135	$2,232
Foreign exchange contracts	126	61	7	58		58
Equity contracts	3	3				
Credit contracts	7	2		5		5
Total derivative assets (b)	$ 8,568	$ 5,107	$ 1,031	$ 2,430(c)	$ 135	$2,295

		Amounts Offset on the Consolidated Balance Sheet				
December 31, 2012 In millions	Gross Fair Value Derivative Liabilities	Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Liabilities	Securities Collateral Pledged Under Master Netting Agreements	Net Amounts
Derivative liabilities						
Interest rate contracts	$ 6,118	$ 5,060	$ 908	$ 150	$ 18	$ 132
Foreign exchange contracts	123	47	6	70		70
Equity contracts	5			5		5
Credit contracts	6			6		6
Other contracts	358			358		358
Total derivative liabilities (b)	$ 6,610	$ 5,107	$ 914	$ 589(d)	$ 18	$ 571

(a) There were no derivative assets and liabilities equity contracts as of December 31, 2013.
(b) Included derivative assets and derivative liabilities as of December 31, 2013 totaling $331 million and $224 million, respectively, related to interest rate contracts executed bilaterally with counterparties in the OTC market and novated to and cleared through a central clearing house. The comparable amounts as of December 31, 2012 were not material. Derivative assets and liabilities as of December 31, 2013 and 2012 related to exchange-traded interest rate contracts were not material. As of December 31, 2013 and 2012, these contracts were not subject to offsetting. The remaining gross and net derivative assets and liabilities relate to contracts executed bilaterally with counterparties that are not settled through an organized exchange or central clearing house.
(c) Represents the net amount of derivative assets included in Other assets on our Consolidated Balance Sheet.
(d) Represents the net amount of derivative liabilities included in Other liabilities on our Consolidated Balance Sheet.

In addition to using master netting and related collateral agreements to reduce credit risk associated with derivative instruments, we also seek to minimize credit risk by entering into transactions with counterparties with high credit ratings and by using internal credit approvals, limits, and monitoring procedures. Collateral may also be exchanged under certain derivative agreements that are not considered master netting agreements.

At December 31, 2013, we held cash, U.S. government securities and mortgage-backed securities totaling $781 million under master netting and other collateral agreements to collateralize net derivative assets due from counterparties, and we have pledged cash totaling $508 million under these agreements to collateralize net derivative liabilities owed to counterparties. These totals may differ from the amounts presented in the preceding offsetting table because they may include collateral exchanged under an agreement that does not qualify as a master netting agreement or because the total amount of collateral held or pledged exceeds the net derivative fair value with the counterparty as of the balance sheet date due to timing or other factors. To the extent not netted against the derivative fair value under a master netting agreement, the receivable for cash pledged is included in Other assets and the obligation for cash held is included in Other borrowed funds on our Consolidated Balance Sheet. Securities held from counterparties are not recognized on our balance sheet. Likewise securities we have pledged to counterparties remain on our balance sheet.

Certain of the master netting agreements and certain other derivative agreements also 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, we would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on December 31, 2013 was $757 million for which PNC had posted collateral of $506 million in the normal course of business. The maximum amount of collateral PNC would have been required to post if the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2013 would be an additional $251 million.

NOTE 18 EARNINGS PER SHARE

Table 140: Basic and Diluted Earnings per Common Share

In millions, except per share data	2013	2012	2011
Basic			
Net income	$4,227	$3,001	$3,071
Less:			
Net income (loss) attributable to noncontrolling interests	7	(12)	15
Preferred stock dividends and discount accretion and redemptions	249	181	58
Dividends and undistributed earnings allocated to nonvested restricted shares	18	14	12
Net income attributable to basic common shares	$3,953	$2,818	$2,986
Basic weighted-average common shares outstanding	528	526	524
Basic earnings per common share (a)	$ 7.48	$ 5.36	$ 5.70
Diluted			
Net income attributable to basic common shares	$3,953	$2,818	$2,986
Less: Impact of BlackRock earnings per share dilution	18	14	19
Net income attributable to diluted common shares	$3,935	$2,804	$2,967
Basic weighted-average common shares outstanding	528	526	524
Dilutive potential common shares (b) (c)	4	3	2
Diluted weighted-average common shares outstanding	532	529	526
Diluted earnings per common share (a)	$ 7.39	$ 5.30	$ 5.64

(a) Basic and diluted earnings per share under the two-class method are determined on net income reported on the income statement less earnings allocated to nonvested restricted shares (participating securities).
(b) Excludes number of stock options considered to be anti-dilutive of 1 million for 2013, 4 million for 2012 and 8 million for 2011.
(c) Excludes number of warrants considered to be anti-dilutive of 17 million for 2012 and 2011. No warrants were considered to be anti-dilutive for 2013.

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NOTE 19 EQUITY

PREFERRED STOCK

The following table provides the number of preferred shares issued and outstanding, the liquidation value per share and the number of authorized preferred shares that are available for future use.

Table 141: Preferred Stock – Authorized, Issued and Outstanding

December 31 Shares in thousands	Liquidation value per share	Preferred Shares 2013	Preferred Shares 2012
Authorized			
$1 par value		16,588	16,588
Issued and outstanding			
Series B	$ 40	1	1
Series K	10,000	50	50
Series L	100,000		2
Series O	100,000	10	10
Series P	100,000	15	15
Series Q	100,000	5	5
Series R	100,000	5	–
Total issued and outstanding		86	83

The following table discloses information related to the preferred stock outstanding as of December 31, 2013.

Table 142: Terms of Outstanding Preferred Stock

Preferred Stock	Issue Date	Number of Depositary Shares Issued	Fractional Interest in a share of preferred stock represented by each Depositary Share	Dividend Dates (a)	Annual Per Share Dividend Rate	Optional Redemption Date (b)
Series B (c)	(c)	N/A	N/A	Quarterly from March 10th	$1.80	None
Series K (d)	May 21, 2008	500,000	1/10th	Semi-annually beginning on November 21, 2008 until May 21, 2013 Quarterly beginning on August 21, 2013	8.25% until May 21, 2013 3 Mo. LIBOR plus 4.22% per annum beginning on May 21, 2013	May 21, 2013
Series O (d)	July 27, 2011	1 million	1/100th	Semi-annually beginning on February 1, 2012 until August 1, 2021 Quarterly beginning on November 1, 2021	6.75% until August 1, 2021 3 Mo. LIBOR plus 3.678% per annum beginning on August 1, 2021	August 1, 2021
Series P (d)	April 24, 2012	60 million	1/4,000th	Quarterly beginning on August 1, 2012	6.125% until May 1, 2022 3 Mo. LIBOR plus 4.0675% per annum beginning on May 1, 2022	May 1, 2022
Series Q (d)	September 21, 2012 October 9, 2012	18 million 1.2 million	1/4,000th	Quarterly beginning on December 1, 2012	5.375%	December 1, 2017
Series R (d)	May 7, 2013	500,000	1/100th	Semi-annually beginning on December 1, 2013 until June 1, 2023 Quarterly beginning on September 1, 2023	4.85% until June 1, 2023 3 Mo. LIBOR plus 3.04% per annum beginning June 1, 2023	June 1, 2023

(a) Dividends are payable when, as, and if declared by our Board of Directors or an authorized committee of our Board.

(b) Redeemable at PNC's option on or after the date stated. With the exception of the Series B and Series K preferred stock, redeemable at PNC's option within 90 days of a regulatory capital treatment event as defined in the designations.

(c) Cumulative preferred stock. Holders of Series B preferred stock are entitled to 8 votes per shares, which is equal to the number of full shares of common stock into which the Series B preferred stock is convertible. The Series B preferred stock was issued in connection with the consolidation of Pittsburgh National Corporation and Provident National Corporation in 1983.

(d) Non-Cumulative preferred stock.

Our Series L preferred stock was issued in connection with the National City transaction in exchange for National City's Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series F. Dividends on the Series L preferred stock were payable if and when declared each 1st of February, May, August and November. Dividends were paid at a rate of 9.875% prior to February 1, 2013 and at a rate of three-month LIBOR plus 633 basis points beginning February 1, 2013. On April 19, 2013, PNC redeemed all 6,000,000 depositary shares representing interests in PNC's Series L preferred stock and all 1,500 shares of Series L preferred stock underlying such depositary shares, resulting in a net outflow of $150 million.

We have authorized but unissued Series H and Series I preferred stock. As described in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities, the PNC Preferred Funding Trust II securities that currently qualify as capital for regulatory purposes are automatically exchangeable into shares of PNC Series I preferred stock 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. The Series A preferred stock of PNC REIT Corp. is also automatically exchangeable under similar conditions into shares of PNC Series H preferred stock. As described in Note 14, on March 15, 2013, we redeemed all $375 million of the PNC Preferred Funding Trust III securities that had been exchangeable under certain conditions into PNC Series J preferred stock.

WARRANTS

We have outstanding 16,885,192 warrants, each to purchase one share of PNC common stock at an exercise price of $67.33 per share. These warrants were sold by the U.S. Treasury in a secondary public offering that closed on May 5, 2010 after the U.S. Treasury exchanged its TARP Warrant (issued on December 31, 2008 under the TARP Capital Purchase Program) for 16,885,192 warrants. These warrants expire December 31, 2018.

OTHER SHAREHOLDERS' EQUITY MATTERS

We have a dividend reinvestment and stock purchase plan. Holders of preferred stock and PNC common stock may participate in the plan, which provides that additional shares of common stock may be purchased at market value with reinvested dividends and voluntary cash payments. Common shares issued pursuant to this plan were: 368,982 shares in 2013, 422,642 shares in 2012 and 379,459 shares in 2011.

At December 31, 2013, we had reserved approximately 103.5 million common shares to be issued in connection with certain stock plans.

Effective October 4, 2007, our Board of Directors approved a stock repurchase program to purchase up to 25 million shares of PNC common stock on the open market or in privately negotiated transactions. A maximum of 21.551 million shares remained available for repurchase under this program at December 31, 2013. This program will remain in effect until fully utilized or until modified, superseded or terminated. We repurchased 3.2 million shares in 2012 and did not repurchase any shares during 2013 under this program.

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NOTE 20 OTHER COMPREHENSIVE INCOME

Details of other comprehensive income (loss) are as follows (in millions):

Table 143: Other Comprehensive Income

In millions	Pretax	Tax	After-tax
Net unrealized gains (losses) on non-OTTI securities			
Balance at December 31, 2010	$ 150	$ (55)	$ 95
2011 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	1,160	(424)	736
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	(29)	11	(18)
Less: Net gains (losses) realized on sale of securities reclassified to noninterest income	241	(88)	153
Net unrealized gains (losses) on non-OTTI securities	948	(347)	601
Balance at December 31, 2011	1,098	(402)	696
2012 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	931	(341)	590
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	37	(13)	24
Less: Net gains (losses) realized on sale of securities reclassified to noninterest income	134	(49)	85
Net unrealized gains (losses) on non-OTTI securities	760	(279)	481
Balance at December 31, 2012	1,858	(681)	1,177
2013 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	(1,122)	411	(711)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	39	(14)	25
Less: Net gains (losses) realized on sale of securities reclassified to noninterest income	50	(18)	32
Net unrealized gains (losses) on non-OTTI securities	(1,211)	443	(768)
Balance at December 31, 2013	$ 647	$(238)	$ 409
Net unrealized gains (losses) on OTTI securities			
Balance at December 31, 2010	$(1,021)	$ 375	$ (646)
2011 activity			
Increase in net unrealized gains (losses) on OTTI securities	(331)	121	(210)
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	(34)	12	(22)
Less: OTTI losses realized on securities reclassified to noninterest income	(152)	56	(96)
Net unrealized gains (losses) on OTTI securities	(145)	53	(92)
Balance at December 31, 2011	(1,166)	428	(738)
2012 activity			
Increase in net unrealized gains (losses) on OTTI securities	854	(313)	541
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	(6)	2	(4)
Less: OTTI losses realized on securities reclassified to noninterest income	(111)	41	(70)
Net unrealized gains (losses) on OTTI securities	971	(356)	615
Balance at December 31, 2012	(195)	72	(123)
2013 activity			
Increase in net unrealized gains (losses) on OTTI securities	215	(78)	137
Less: OTTI losses realized on securities reclassified to noninterest income	(16)	6	(10)
Net unrealized gains (losses) on OTTI securities	231	(84)	147
Balance at December 31, 2013	$ 36	$ (12)	$ 24
Net unrealized gains (losses) on cash flow hedge derivatives			
Balance at December 31, 2010	$ 824	$(302)	$ 522
2011 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	805	(294)	511
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	411	(150)	261
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	44	(16)	28
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	43	(16)	27
Net unrealized gains (losses) on cash flow hedge derivatives	307	(112)	195
Balance at December 31, 2011	1,131	(414)	717
2012 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	312	(114)	198
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	388	(142)	246
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	68	(25)	43
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	76	(28)	48
Net unrealized gains (losses) on cash flow hedge derivatives	(220)	81	(139)
Balance at December 31, 2012	911	(333)	578

In millions	Pretax	Tax	After-tax
2013 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	(141)	52	(89)
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	284	(103)	181
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	53	(19)	34
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	49	(18)	31
Net unrealized gains (losses) on cash flow hedge derivatives	(527)	192	(335)
Balance at December 31, 2013	$ 384	$(141)	$ 243

In millions	Pretax	Tax	After-tax
Pension and other postretirement benefit plan adjustments			
Balance at December 31, 2010	$ (598)	$ 218	$ (380)
2011 Activity			
Net pension and other postretirement benefit plan activity	(606)	223	(383)
Amortization of actuarial loss (gain) reclassified to other noninterest expense	24	(9)	15
Amortization of prior service cost (credit) reclassified to other noninterest expense	(11)	4	(7)
Total 2011 activity	(593)	218	(375)
Balance at December 31, 2011	(1,191)	436	(755)
2012 Activity			
Net pension and other postretirement benefit plan activity	(118)	44	(74)
Amortization of actuarial loss (gain) reclassified to other noninterest expense	94	(35)	59
Amortization of prior service cost (credit) reclassified to other noninterest expense	(11)	4	(7)
Total 2012 activity	(35)	13	(22)
Balance at December 31, 2012	(1,226)	449	(777)
2013 Activity			
Net pension and other postretirement benefit plan activity	760	(279)	481
Amortization of actuarial loss (gain) reclassified to other noninterest expense	103	(37)	66
Amortization of prior service cost (credit) reclassified to other noninterest expense	(11)	4	(7)
Total 2013 Activity	852	(312)	540
Balance at December 31, 2013	$ (374)	$ 137	$ (237)

In millions	Pretax	Tax	After-tax
Other			
Balance at December 31, 2010	$ (47)	$ 25	$ (22)
2011 Activity			
PNC's portion of BlackRock's OCI	5	(2)	3
Foreign currency translation adjustments	(9)	3	(6)
Total 2011 activity	(4)	1	(3)
Balance at December 31, 2011	(51)	26	(25)
2012 Activity			
PNC's portion of BlackRock's OCI	3	(4)	(1)
Net investment hedge derivatives (b)	(27)	10	(17)
Foreign currency translation adjustments	34	(12)	22
Total 2012 activity	10	(6)	4
Balance at December 31, 2012	(41)	20	(21)
2013 Activity			
PNC's portion of BlackRock's OCI	15	(12)	3
Net investment hedge derivatives (b)	(21)	8	(13)
Foreign currency translation adjustments	27	1	28
Total 2013 activity	21	(3)	18
Balance at December 31, 2013	$ (20)	$ 17	$ (3)

(a) Cash flow hedge derivatives are interest rate contract derivatives designated as hedging instruments under GAAP.
(b) Net investment hedge derivatives are foreign exchange contracts designated as hedging instruments under GAAP.

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

Table 144: Accumulated Other Comprehensive Income (Loss) Components

	2013		2012	
At December 31 – In millions	Pretax	After-tax	Pretax	After-tax
Net unrealized gains (losses) on non-OTTI securities	$ 647	$ 409	$ 1,858	$1,177
Net unrealized gains (losses) on OTTI securities	36	24	(195)	(123)
Net unrealized gains (losses) on cash flow hedge derivatives	384	243	911	578
Pension and other postretirement benefit plan adjustments	(374)	(237)	(1,226)	(777)
Other	(20)	(3)	(41)	(21)
Accumulated other comprehensive income (loss)	$ 673	$ 436	$ 1,307	$ 834

NOTE 21 INCOME TAXES

The components of Income taxes are as follows:

Table 145: Components of Income Taxes

Year ended December 31 In millions	2013	2012	2011
Current			
Federal	$ 117	$343	$191
State	17	29	(33)
Total current	134	372	158
Deferred			
Federal	1,129	522	783
State	78	48	57
Total deferred	1,207	570	840
Total	$1,341	$942	$998

Significant components of deferred tax assets and liabilities are as follows:

Table 146: Deferred Tax Assets and Liabilities

December 31 – in millions	2013	2012
Deferred tax assets		
Allowance for loan and lease losses	$1,343	$1,681
Compensation and benefits	581	790
Basis difference in loans		284
Loss and credit carryforward	797	766
Accrued expenses	575	835
Other	536	650
Total gross deferred tax assets	3,832	5,006
Valuation allowance	(61)	(54)
Total deferred tax assets	3,771	4,952
Deferred tax liabilities		
Leasing	1,498	1,396
Goodwill and intangibles	342	363
Basis difference in loans	48	
Fixed assets	397	398
Net unrealized gains on securities and financial instruments	391	939
BlackRock basis difference	2,031	1,874
Other	730	543
Total deferred tax liabilities	5,437	5,513
Net deferred tax liability	$1,666	$ 561

A reconciliation between the statutory and effective tax rates follows:

Table 147: Reconciliation of Statutory and Effective Tax Rates

Year ended December 31	2013	2012	2011
Statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from			
State taxes net of federal benefit	1.1	1.3	.4
Tax-exempt interest	(2.0)	(2.4)	(1.7)
Life insurance	(1.7)	(2.3)	(2.0)
Dividend received deduction	(1.3)	(1.7)	(1.6)
Tax credits	(5.4)	(6.5)	(5.1)
Other	(1.6)	.5	(.5)
Effective tax rate	24.1%	23.9%	24.5%

The net operating loss carryforwards at December 31, 2013 and 2012 follow:

Table 148: Net Operating Loss Carryforwards and Tax Credit Carryforwards

In millions	December 31 2013	December 31 2012
Net Operating Loss Carryforwards:		
Federal	$ 1,116	$ 1,698
State	2,958	2,468
Tax Credit Carryforwards:		
Federal	$ 221	$ 29
State	7	4

The federal net operating loss carryforwards expire from 2028 to 2032. The state net operating loss carryforwards will expire from 2014 to 2031. The majority of the tax credit carryforwards expire in 2033.

The federal net operating loss carryforwards and tax credit carryforwards above are substantially from the 2012 acquisition of RBC Bank (USA) and are subject to a federal annual Section 382 limitation of $119 million under the Internal Revenue Code of 1986, as amended; and acquired state operating loss carryforwards are subject to similar limitations that exist for state tax purposes. The decrease in federal net operating loss carryforwards is primarily attributable to the final settlement with RBC based on RBC's final federal income tax return as filed. The majority of the increase to state net operating loss carryforwards is attributable to a state tax audit settlement. It is anticipated that the company will be able to fully utilize its carryforwards for federal tax purposes, but a valuation allowance of $61 million has been recorded against certain state tax carryforwards as of December 31, 2013.

During 2013, PNC made an assertion under ASC 740 – Income Taxes that the earnings of certain non-U.S. subsidiaries were indefinitely reinvested. As of December 31, 2013, the company had approximately $46 million of earnings and $39 million of foreign currency translation attributed to foreign subsidiaries that have been indefinitely reinvested abroad for which no incremental U.S. income tax provision has been recorded. If a U.S. deferred tax liability were to be recorded, the estimated tax liability on those undistributed earnings and foreign currency translation would be approximately $29 million.

Retained earnings at both December 31, 2013 and 2012 included $117 million in allocations for bad debt deductions of former thrift subsidiaries for which no income tax has been provided. Under current law, if certain subsidiaries use these bad debt reserves for purposes other than to absorb bad debt losses, they will be subject to Federal income tax at the current corporate tax rate.

The Company had a liability for unrecognized tax benefits of $110 million at December 31, 2013 and $176 million at December 31, 2012. At December 31, 2013, $87 million of unrecognized tax benefits, if recognized, would favorably impact the effective income tax rate.

A reconciliation of the beginning and ending balance of the liability for unrecognized tax benefits is as follows:

Table 149: Changes in Liability for Unrecognized Tax Benefits

In millions	2013	2012	2011
Balance of gross unrecognized tax benefits at January 1	$176	$209	$238
Increases:			
Positions taken during a prior period	11	23	65
Positions taken during the current period		1	1
Decreases:			
Positions taken during a prior period	(22)	(51)	(62)
Settlements with taxing authorities	(48)	(1)	(10)
Reductions resulting from lapse of statute of limitations	(7)	(5)	(23)
Balance of gross unrecognized tax benefits at December 31	$110	$176	$209

It is reasonably possible that the liability for unrecognized tax benefits 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 unrecognized tax benefits could decrease by $63 million within the next twelve months.

Examinations are substantially completed for PNC's consolidated federal income tax returns for 2007 and 2008 and there are no outstanding unresolved issues. The Internal Revenue Service (IRS) is currently examining PNC's 2009 and 2010 returns. National City's consolidated federal income tax returns through 2008 have been audited by the IRS. Certain adjustments remain under review by the IRS Appeals Division for years 2003 through 2008.

PNC files tax returns in most states and some non-U.S. jurisdictions each year and is under continuous examination by various state taxing authorities. With few exceptions, we are no longer subject to state and local and non-U.S. income tax examinations by taxing authorities for periods before 2007. For all open audits, any potential adjustments have been considered in establishing our reserve for unrecognized tax benefits as of December 31, 2013.

Our policy is to classify interest and penalties associated with income taxes as income tax expense. For 2013, we had a benefit of $41 million of gross interest and penalties, decreasing income tax expense. The total accrued interest and penalties at December 31, 2013 and December 31, 2012 was $45 million and $93 million, respectively.

Note 22 Regulatory Matters

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

The ability to undertake new business initiatives (including acquisitions), the access to and cost of funding for new business initiatives, the ability to pay dividends, the ability to repurchase shares or other capital instruments, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. The minimum U.S. regulatory capital ratios in effect during 2013 under Basel I are 4% for Tier 1 risk-based, 8% for total risk-based and 4% for leverage. To qualify as "well capitalized" under Basel I, regulators require banks to maintain capital ratios of at least 6% for Tier 1 risk-based, 10% for total risk-based and 5% for leverage. To be "well capitalized" under Basel I, bank holding companies and banks must maintain capital ratios of at least 6% for Tier 1 risk-based, 10% for total risk-based and 5% for leverage. At December 31, 2013 and December 31, 2012, PNC and PNC Bank, N.A. met the "well capitalized" capital ratio requirements based on U.S. regulatory capital ratio requirements under Basel I.

The following table sets forth the Basel I regulatory capital ratios for PNC and its bank subsidiary, PNC Bank, N.A.

Table 150: Basel I Regulatory Capital

December 31 Dollars in millions	Amount 2013	Amount 2012	Ratios 2013	Ratios 2012
Risk-based capital				
Tier 1				
PNC	$33,612	$30,226	12.4%	11.6%
PNC Bank, N.A.	28,731	28,352	11.0	11.3
Total				
PNC	42,950	38,234	15.8	14.7
PNC Bank, N.A.	37,575	35,756	14.3	14.2
Leverage				
PNC	33,612	30,226	11.1	10.4
PNC Bank, N.A.	28,731	28,352	9.8	10.1

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

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

Also, there are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions. The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately $1.4 billion at December 31, 2013.

Under federal law, a bank subsidiary generally may not extend credit to, or engage in other types of covered transactions (including the purchase of assets) with, the parent company or its non-bank subsidiaries on terms and under circumstances that are not substantially the same as comparable transactions with nonaffiliates. A bank subsidiary may not extend credit to, or engage in a covered transaction with, the parent company or a non-bank subsidiary if the aggregate amount of the bank's extensions of credit and other covered transactions with the parent company or non-bank subsidiary exceeds 10% of the capital stock and surplus of such bank subsidiary or the aggregate amount of the bank's extensions of credit and other covered transactions with the parent company and all non-bank subsidiaries exceeds 20% of the capital and surplus of such bank subsidiary. Such extensions of credit, with limited exceptions, must be at least fully collateralized in accordance with specified collateralization thresholds, with the thresholds varying based on the type of assets serving as collateral. In certain circumstances, federal regulatory authorities may impose more restrictive limitations.

Federal Reserve Board regulations require depository institutions to maintain cash reserves with a Federal Reserve Bank (FRB). At December 31, 2013, the balance outstanding at the FRB was $11.7 billion.

NOTE 23 LEGAL PROCEEDINGS

We establish accruals for legal proceedings, including litigation and regulatory and governmental investigations and inquiries, when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changed circumstances. When we are able to do so, we also determine estimates of possible losses or ranges of possible losses, whether in excess of any related accrued liability or where there is no accrued liability, for disclosed legal proceedings ("Disclosed Matters," which are those matters disclosed in this Note 23). For Disclosed Matters where we are able to estimate such possible losses or ranges of possible losses, as of December 31, 2013, we estimate that it is reasonably possible that we could incur losses in an aggregate amount of up to approximately $800 million. The estimates included in this amount are based on our analysis of currently available information and are subject to significant judgment and a variety of assumptions and uncertainties. As new information is obtained we may change our estimates. Due to the inherent subjectivity of the assessments and unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to us from the legal proceedings in question. Thus, our exposure and ultimate losses may be higher, and possibly significantly so, than the amounts accrued or this aggregate amount.

The aggregate estimated amount provided above does not include an estimate for every Disclosed Matter, as we are unable, at this time, to estimate the losses that it is reasonably possible that we could incur or ranges of such losses with respect to some of the matters disclosed for one or more of the following reasons. In our experience, legal proceedings are inherently unpredictable. In many legal proceedings, various factors exacerbate this inherent unpredictability, including, among others, one or more of the following: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis or, if permitted to proceed as a class action, how the class will be defined; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental investigations and inquiries, the possibility of fines and penalties); the matter presents meaningful legal uncertainties, including novel issues of law; we have not engaged in meaningful settlement discussions; discovery has not started or is not complete; there are significant facts in dispute; and there are a large number of parties named as defendants (including where it is uncertain how damages or liability, if any, will be shared among multiple defendants). Generally, the less progress that has been made in the proceedings or the broader the range of potential results, the harder it is for us to estimate losses or ranges of losses that it is reasonably possible we could incur. Therefore, as the estimated aggregate amount disclosed above does not include all of the Disclosed Matters, the amount disclosed above does not represent our maximum reasonably possible loss exposure for all of the Disclosed Matters. The estimated aggregate amount also does not reflect any of our exposure to matters not so disclosed, as discussed below under "Other."

We include in some of the descriptions of individual Disclosed Matters certain quantitative information related to the plaintiff's claim against us as alleged in the plaintiff's pleadings or other public filings or otherwise publicly available information. While information of this type may provide insight into the potential magnitude of a matter, it does not necessarily represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual.

Some of our exposure in Disclosed Matters may be offset by applicable insurance coverage. We do not consider the possible availability of insurance coverage in determining the amounts of any accruals (although we record the amount of related insurance recoveries that are deemed probable up to the amount of the accrual) or in determining any estimates of possible losses or ranges of possible losses.

Interchange Litigation

Beginning in June 2005, a series of antitrust lawsuits were filed against Visa®, MasterCard®, and several major financial institutions, including cases naming National City (since merged into PNC) and its subsidiary, National City Bank of Kentucky (since merged into National City Bank which in turn was merged into PNC Bank, N.A.). The cases have been consolidated for pretrial proceedings in the United States District Court for the Eastern District of New York under the caption *In re Payment Card Interchange Fee and Merchant-Discount Antitrust Litigation* (Master File No. 1:05-md-1720-JG-JO). Those cases naming National City were brought as class actions on behalf of all persons or business entities who have accepted Visa® or Master Card®. The plaintiffs, merchants operating commercial businesses throughout the U.S. and trade associations, allege, among other things, that the defendants conspired to fix the prices for general purpose card network services and otherwise imposed unreasonable restraints on trade, resulting in the payment of inflated interchange fees, in violation of the antitrust laws. In January 2009, the plaintiffs filed amended and supplemental complaints adding, among other things, allegations that the restructuring of Visa and MasterCard, each of which included an initial public offering, violated the antitrust laws. In their complaints, the plaintiffs seek, among other things, injunctive relief, unspecified damages (trebled under the antitrust laws) and attorneys' fees.

In July 2012, the parties entered into a memorandum of understanding with the class plaintiffs and an agreement in principle with certain individual plaintiffs with respect to a settlement of these cases, under which the defendants will collectively pay approximately $6.6 billion to the class and individual settling plaintiffs and have agreed to changes in the terms applicable to their respective card networks (including an eight-month reduction in default credit interchange rates). The parties entered into a definitive agreement with respect to this settlement in October 2012. The court granted final approval to the settlement in December 2013. Several objectors have appealed the order of approval to the United States Court of Appeals for the Second Circuit, which appeal is pending. As a result of the previously funded litigation escrow (described in Note 24 Commitments and Guarantees), which will cover substantially all of our share of the Visa portion of this settlement, we anticipate no material financial impact from the monetary amount of this settlement. Numerous merchants, including some large national merchants, have objected to or requested exclusion (opted out) from the proposed class settlements, and some of those opting out have lawsuits pending in federal and state courts against Visa, MasterCard and, in some instances, one or more of the other issuing banks (including PNC).

National City and National City Bank entered into judgment and loss sharing agreements with Visa and certain other banks with respect to all of the above referenced litigation. All of the litigation against Visa is also subject to the indemnification obligations described in Note 24 Commitments and Guarantees. PNC Bank, N.A. is not named a defendant in any of the Visa or MasterCard related antitrust litigation nor was it initially a party to the judgment or loss sharing agreements, but it has been subject to these indemnification obligations and became responsible for National City Bank's position in the litigation and responsibilities under the agreements upon completion of the merger of National City Bank into PNC Bank, N.A. In March 2011, we entered into a MasterCard Settlement and Judgment Sharing Agreement with MasterCard and other financial institution defendants and an Omnibus Agreement Regarding Interchange Litigation Sharing and Settlement Sharing with Visa, MasterCard and other financial institution defendants. If there is a resolution of all claims against all defendants, the Omnibus Agreement, in substance, apportions that resolution into a Visa portion and a MasterCard portion, with the Visa portion being two-thirds and the MasterCard portion being one-third. This apportionment only applies in the case of either a global settlement involving all defendants or an adverse judgment against the defendants, to the extent that damages either are related to the merchants' inter-network conspiracy claims or are otherwise not attributed to specific MasterCard or Visa conduct or damages. The MasterCard portion (or any

MasterCard-related liability not subject to the Omnibus Agreement) will then be apportioned under the MasterCard Settlement and Judgment Sharing Agreement among MasterCard and PNC and the other financial institution defendants that are parties to this agreement. The responsibility for the Visa portion (or any Visa-related liability not subject to the Omnibus Agreement) will be apportioned under the pre-existing indemnification responsibilities and judgment and loss sharing agreements.

CBNV MORTGAGE LITIGATION

Between 2001 and 2003, on behalf of either individual plaintiffs or proposed classes of plaintiffs, several separate lawsuits were filed in state and federal courts against Community Bank of Northern Virginia (CBNV), a PNC Bank predecessor, and other defendants asserting claims arising from second mortgage loans made to the plaintiffs. The state lawsuits were removed to federal court and, with the lawsuits that had been filed in federal court, were consolidated for pre-trial proceedings in a multidistrict litigation (MDL) proceeding in the United States District Court for the Western District of Pennsylvania under the caption *In re: Community Bank of Northern Virginia Lending Practices Litigation* (No. 03-0425 (W.D. Pa.), MDL No. 1674). In January 2008, the Pennsylvania district court issued an order sending back to the General Court of Justice, Superior Court Division, for Wake County, North Carolina the claims of two proposed class members. These claims are asserted in a case originally filed in 2001 and captioned *Bumpers, et al. v. Community Bank of Northern Virginia* (01-CVS-011342).

MDL Proceedings in Pennsylvania. In October 2011, the plaintiffs filed a joint consolidated amended class action complaint covering all of the class action lawsuits pending in this proceeding. The amended complaint names CBNV, another bank, and purchasers of loans originated by CBNV and the other bank (including the Residential Funding Company, LLC) as defendants. (In May 2012, the Residential Funding Company, LLC filed for bankruptcy protection under Chapter 11.) The principal allegations in the amended complaint are that a group of persons and entities collectively characterized as the “Shumway/Bapst Organization” referred prospective second residential mortgage loan borrowers to CBNV and the other bank, that CBNV and the other bank charged these borrowers improper title and loan fees at loan closings, that the disclosures provided to the borrowers at loan closings were inaccurate, and that CBNV and the other bank paid some of the loan fees to the Shumway/Bapst Organization as purported “kickbacks” for the referrals. The amended complaint asserts claims for violations of the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), as amended by the Home Ownership and Equity Protection Act (HOEPA), and the Racketeer Influenced and Corrupt Organizations Act (RICO).

The amended complaint seeks to certify a class of all borrowers who obtained a second residential non-purchase money mortgage loan, secured by their principal dwelling, from either CBNV or the other defendant bank, the terms of which made the loan subject to HOEPA. The plaintiffs seek, among other things, unspecified damages (including treble damages under RICO and RESPA), rescission of loans, declaratory and injunctive relief, interest, and attorneys’ fees. In November 2011, the defendants filed a motion to dismiss the amended complaint. In June 2013, the court granted in part and denied in part the motion, dismissing the claims of any plaintiff whose loan did not originate or was not assigned to CBNV, narrowing the scope of the RESPA claim, and dismissing several of the named plaintiffs for lack of standing. The court also dismissed the claims against the other lender defendant on jurisdictional grounds. The limitation of the potential class to CBNV borrowers reduces its size to approximately 22,500 from the 50,000 members alleged in the amended complaint. Also in June 2013, the plaintiffs filed a motion for class certification, which was granted in July 2013. In August 2013, we filed a motion seeking leave to appeal the granting of the motion for class certification. The court granted the motion in October 2013 and our appeal is pending.

North Carolina Proceedings. The plaintiffs in *Bumpers* make similar allegations to those included in the amended complaint in the MDL proceedings. Following the remand to North Carolina state court, the plaintiffs in *Bumpers* sought to represent a class of North Carolina borrowers in state court proceedings in North Carolina. The plaintiffs claim that this class consists of approximately 650 borrowers. The district court in Pennsylvania handling the MDL proceedings enjoined class proceedings in *Bumpers* in March 2008. In April 2008, the North Carolina Superior Court granted the *Bumpers* plaintiffs’ motion for summary judgment on their individual claims and awarded them approximately $11,000 each plus interest. CBNV appealed the grant of the motion for summary judgment. In September 2011, the North Carolina Court of Appeals affirmed in part and reversed in part the granting of the plaintiffs’ motion for summary judgment. The court affirmed the judgment on the plaintiffs’ claim that they paid a loan discount fee but were not provided a loan discount. It reversed the judgment on the plaintiffs’ claim that they were overcharged for settlement services and remanded that claim for trial. The court also held that, in light of the Pennsylvania district court’s injunction against class proceedings having been vacated in September 2010, the trial court may on remand consider the issue of class certification. In August 2012, the North Carolina Supreme Court granted our petition for discretionary review of the decision of the North Carolina Court of Appeals. The appeal was argued in January 2013. In August 2013, the North Carolina Supreme Court reversed the decision of the Court of Appeals and remanded the case to the Superior Court for further proceedings. In September 2013, the remaining plaintiff filed a motion for leave to amend his complaint in the trial court. The plaintiff’s remaining claims, as reflected in the proposed amended complaint, relate exclusively to the loan discount fee.

OVERDRAFT LITIGATION

Beginning in October 2009, PNC Bank, National City Bank and RBC Bank (USA) have been named in lawsuits brought as class actions relating to the manner in which they charged overdraft fees on ATM and debit transactions to customers and related matters. Several of these lawsuits have been settled. The following is a description of the remaining pending lawsuits.

Status of MDL Cases. Two pending lawsuits naming RBC Bank (USA), along with similar lawsuits pending against numerous other banks, have been consolidated for pre-trial proceedings in the United States District Court for the Southern District of Florida (the "MDL Court") under the caption *In re Checking Account Overdraft Litigation* (MDL No. 2036, Case No. 1:09-MD-02036-JLK). A consolidated amended complaint was filed in December 2010 that consolidated all of the claims in these MDL Court cases. The first case against RBC Bank (USA) pending in the MDL Court (*Dasher v. RBC Bank* (10-cv-22190-JLK)) was filed in July 2010 in the United States District Court for the Southern District of Florida. The other case against RBC Bank (USA) (*Avery v. RBC Bank* (Case No. 10-cv-329)) was originally filed in North Carolina state court in July 2010 and was removed to the United States District Court for the Eastern District of North Carolina before being transferred to the MDL Court. An amended complaint was filed in Avery in August 2010.

The cases now pending in the MDL Court seek to certify multi-state classes of customers for the common law claims described below (covering all states in which RBC Bank (USA) had retail branch operations during the class periods), and subclasses of RBC Bank (USA) customers with accounts in North Carolina branches, with each subclass being asserted for purposes of claims under those states' consumer protection statutes. No class periods are stated in any of the complaints, other than for the applicable statutes of limitations, which vary by state and claim.

The customer agreements with the RBC Bank (USA) plaintiffs contain arbitration provisions. RBC Bank (USA)'s original motion in *Dasher* to compel arbitration under these provisions was denied by the MDL Court. This denial was appealed to the United States Court of Appeals for the Eleventh Circuit. While this appeal was pending, the United States Supreme Court issued its decision in *AT&T Mobility v. Concepcion*, following which the court of appeals vacated the MDL Court's denial of the arbitration motion and remanded to the MDL Court for further consideration in light of the *Concepcion* decision. RBC Bank (USA)'s motion to compel arbitration, now covering both Dasher and Avery, was denied in January 2013. We appealed the denial of the motion to the United States Court of Appeals for the Eleventh Circuit, which, in February 2014, affirmed the order of the district court denying arbitration.

Status of Non-MDL Case. In December 2010, an additional lawsuit (*Henry v. PNC Bank, National Association* (No. GD-10-022974)) was filed in the Court of Common Pleas of Allegheny County, Pennsylvania on behalf of all current citizens of Pennsylvania who are domiciled in Pennsylvania who had or have a PNC checking or debit account used primarily for personal, family or household purposes and who incurred overdraft and related fees on transactions resulting from the methodology of posting transactions from December 8, 2004 through August 14, 2010. We filed preliminary objections seeking dismissal of each of the claims in this lawsuit in March 2011. In January 2012, the court ruled on our preliminary objections, dismissing several claims but overruling our objections with respect to claims for breach of contract and the duty of good faith and fair dealing and for violation of Pennsylvania's consumer protection statute. In November 2013, the parties agreed to a dismissal of this lawsuit.

Nature of Claims. The complaints in each of these lawsuits allege that the banks engaged in unlawful practices in assessing overdraft fees arising from electronic point-of-sale and ATM debits. The principal practice challenged in these lawsuits is the banks' purportedly common policy of posting debit transactions on a daily basis from highest amount to lowest amount, thereby allegedly inflating the number of overdraft fees assessed. Other practices challenged include the failure to decline to honor debit card transactions where the account has insufficient funds to cover the transactions.

In the consolidated amended complaint in the MDL Court, the plaintiffs asserted claims for unconscionability; unjust enrichment; and violation of the consumer protection statute of North Carolina. In the *Dasher* complaint, the plaintiffs also assert claims for a breach of the covenant of good faith and fair dealing and for conversion. In the *Henry* case, the remaining claims were for breach of contract and the duty of good faith and fair dealing and for violation of Pennsylvania's consumer protection statute. In their complaints, the plaintiffs seek, among other things, restitution of overdraft fees paid, unspecified actual and punitive damages (with actual damages, in some cases, trebled under state law), pre-judgment interest, attorneys' fees, and declaratory relief finding the overdraft policies to be unfair and unconscionable.

FULTON FINANCIAL

In 2009, Fulton Financial Advisors, N.A. filed lawsuits against PNC Capital Markets, LLC and NatCity Investments, Inc. in the Court of Common Pleas of Lancaster County, Pennsylvania arising out of Fulton's purchase of auction rate certificates (ARCs) through PNC and NatCity. Each of the lawsuits alleges violations of the Pennsylvania Securities Act, negligent misrepresentation, negligence, breach of fiduciary duty, common law fraud, and aiding and abetting common law fraud in connection with the purchase of the ARCs by Fulton. Specifically, Fulton alleges that, as a result of the decline of financial markets in 2007 and 2008, the market for ARCs became illiquid; that PNC and NatCity knew or should have known of the increasing threat of the ARC market becoming illiquid; and that PNC and NatCity did not inform Fulton of this increasing threat, but allowed Fulton to continue to purchase ARCs, to Fulton's detriment. In its complaints, Fulton alleges that it then held ARCs purchased through PNC for a price of more than $123 million and purchased through NatCity for a price of more than $175 million. In each complaint, Fulton seeks, among other things, unspecified actual and punitive damages, rescission, attorneys' fees and interest.

In the case against PNC (*Fulton Financial Advisors, N.A. v. PNC Capital Markets, LLC* (CI 09-10838)), PNC filed preliminary objections to Fulton's complaint, which were denied. NatCity removed the case against it to the United States District Court for the Eastern District of Pennsylvania (*Fulton Financial Advisors, N.A. v. NatCity Investments, Inc.* (No. 5:09-cv-04855)), and in November 2009 filed a motion to dismiss the complaint. In October 2013, the court granted the motion to dismiss with respect to claims under the Pennsylvania Securities Act and for negligent misrepresentation, common law fraud, and aiding and abetting common law fraud and denied the motion with respect to claims for negligence and breach of fiduciary duty. Fulton filed an amended complaint in December 2013, reasserting its negligence and breach of fiduciary duty claims and adding a new claim under the Pennsylvania Securities Act.

FHLB

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 NatCity Investments, Inc. (*Federal Home Loan Bank of Chicago v. Bank of America Funding Corp., et al.* (Case No. 10CH45033)). 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. According to the complaint, the Federal Home Loan Bank 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. In its complaint, the Federal Home Loan Bank seeks, among other things, rescission, unspecified damages, interest, and attorneys' fees. In November 2010, the defendants removed the case to the United States District Court for the Northern District of Illinois. In January 2011, the district court remanded the case to the Circuit Court of Cook County. The plaintiff amended its complaint in March 2011 and filed a corrected amended complaint in April 2011. The corrected amended complaint does not identify any additional transaction for which the plaintiff seeks recovery from PNC nor does it add any additional substantive allegations. In May 2011, the defendants filed a motion to dismiss the corrected amended complaint. The motion was denied in September 2012.

WEAVERING MACRO FIXED INCOME FUND

In July 2010, PNC completed the sale of PNC Global Investment Servicing ("PNC GIS") to The Bank of New York Mellon Corporation ("BNY Mellon"), pursuant to a stock purchase agreement dated February 1, 2010. In July 2009, the liquidators of the Weavering Macro Fixed Income Fund Limited ("Weavering") issued a Plenary Summons in the High Court, Dublin, Ireland, in connection with a European subsidiary of PNC GIS's provision of administration services to Weavering. The Plenary Summons was served on the PNC GIS subsidiary (GIS Europe) on or about June 30, 2010. In May 2011, the liquidator served a Notice of Intention to Proceed and Statement of Claim, which alleges, among other things, that GIS Europe breached its contractual duties to Weavering as well as an alleged duty of care to Weavering, and investors in Weavering, and makes claims of breach of the administration and accounting services agreement, negligence, gross negligence, breach of duty, misrepresentation and negligent misstatement. The statement of claim further alleges that investors in Weavering lost approximately €282,000,000 and that, in addition, expended approximately €98,000,000 in brokerage and exchange commissions, interest, and fees as a result of the transactions at issue. The statement of claim seeks, among other things, damages, costs, and interest. In January 2012, upon application by GIS Europe, the court issued a judgment ordering a hearing on certain preliminary issues (a "modular trial"). In March 2012, the plaintiff appealed this judgment to the Supreme Court of Ireland. In December 2012, the Supreme Court reversed the order of the High Court and directed that no modular trial take place at this stage of the proceedings. In October 2013, GIS Europe made a motion to, among other things, dismiss or stay the action due to the plaintiff's failure to comply with its discovery obligations. In January 2014, the court entered a consent order adjourning the motion and staying the plaintiff's claims until the plaintiff complies in full with its discovery obligations. The plaintiff is required to complete its production by early July 2014 (barring an extension of that date), and the parties are scheduled to appear before the court later in July 2014.

In May 2011, BNY Mellon provided notice to PNC of an indemnification claim pursuant to the stock purchase agreement related to this litigation. PNC's responsibility for this litigation is subject to the terms and limitations included in the indemnification provisions of the stock purchase agreement.

CAPTIVE MORTGAGE REINSURANCE LITIGATION

In December 2011, a lawsuit (*White, et al. v. The PNC Financial Services Group, Inc., et al.* (Civil Action No. 11-7928)) was filed against PNC (as successor in interest to National City Corporation and several of its subsidiaries) and several mortgage insurance companies in the United States District Court for the Eastern District of Pennsylvania. This lawsuit, which was brought as a class action, alleges that National City structured its program of reinsurance of private mortgage insurance in such a way as to avoid a true transfer of risk from the mortgage insurers to National City's captive reinsurer. The plaintiffs allege that the payments from the mortgage insurers to the captive reinsurer constitute kickbacks, referral payments, or unearned fee splits prohibited under the Real Estate Settlement Procedures Act (RESPA), as well as common law unjust enrichment. The plaintiffs claim, among other things, that from the beginning of 2004 until the end of 2010 National City's captive reinsurer collected from the mortgage insurance company defendants at least $219 million as its share of borrowers' private mortgage insurance premiums and that its share of paid claims during this period was approximately $12 million. The plaintiffs seek to certify a nationwide class of all persons who obtained residential mortgage loans originated, funded or originated through correspondent lending by National City or any of its subsidiaries or affiliates between January 1, 2004 and the present and, in connection with these mortgage loans, purchased private mortgage insurance and whose residential mortgage loans were included within National City's captive mortgage reinsurance arrangements. Plaintiffs seek, among other things, statutory damages under RESPA (which include treble damages), restitution of reinsurance premiums collected, disgorgement of profits, and attorneys' fees. In August 2012, the district court directed the plaintiffs to file an amended complaint, which the plaintiffs filed in September 2012. In November 2012, we filed a motion to dismiss the amended complaint. The court dismissed, without prejudice, the amended complaint in June 2013 on statute of limitations grounds. A second amended complaint, in response to the court's dismissal order, was filed in July 2013. We filed a motion to dismiss the second amended complaint, also in July 2013. The court held oral argument on this motion in January 2014. The court has not yet ruled on this motion.

RESIDENTIAL MORTGAGE-BACKED SECURITIES INDEMNIFICATION DEMANDS

We have received indemnification demands from several entities sponsoring residential mortgage-backed securities and their affiliates where purchasers of the securities have brought litigation against the sponsors and other parties involved in the securitization transactions. National City Mortgage had sold whole loans to the sponsors or their affiliates that were allegedly included in certain of these securitization transactions. According to the indemnification demands, the plaintiffs' claims in these lawsuits are based on alleged misstatements and omissions in the offering documents for these transactions. The indemnification demands assert that agreements governing the sale of these loans or the securitization transactions to which National City Mortgage is a party require us to indemnify the sponsors and their affiliates for losses suffered in connection with these lawsuits. The parties have settled several of these cases. There has not been any determination that the parties seeking indemnification have any liability to the plaintiffs in the other lawsuits and the amount, if any for which we are responsible in the settled cases has not been determined.

LENDER PLACED INSURANCE LITIGATION

In June 2013, a lawsuit (*Lauren vs. PNC Bank, N.A.*, *et al*, Case No. 2:13-cv-00762-TFM) was filed in the United States District Court for the Western District of Pennsylvania against PNC Bank and American Security Insurance Company ("ASIC"), a provider of property and casualty insurance to PNC for certain residential mortgages. This lawsuit, which was brought as a class action, alleges, with respect to PNC Bank, that it breached alleged contractual (including the implied covenant of good faith and fair dealing) and fiduciary duties to residential mortgage borrowers, and, as to Ohio borrowers, violated the Ohio Consumer Sales Practice Act in connection with the administration of PNC Bank's program for placement of insurance for borrowers who fail to obtain hazard insurance coverages required by the terms of their mortgages. The plaintiff alleges, among other things, that defendants placed insurance in unnecessary and excessive amounts and that PNC Bank improperly profited from these arrangements, principally as a result of the payment of commissions to PNC Bank and of reinsurance arrangements between PNC and the insurance provider. The plaintiff originally sought to certify a nationwide class and an Ohio sub-class of all persons who, during applicable periods, have or had a residential mortgage loan or line of credit with PNC Bank, and had hazard insurance placed upon the property by PNC Bank. The plaintiff seeks, among other things, damages, restitution or disgorgement of profits improperly obtained, injunctive relief, interest, and attorneys' fees. In October 2013, the court ruled on our motion to dismiss the complaint, granting our motion with respect to the Ohio Consumer Sales Practice Act claim and otherwise denying the motion. We filed a motion seeking reconsideration of the denial as to the fiduciary duty claim, which motion was denied in November 2013. In January 2014, the court granted ASIC's motion to dismiss the nationwide class action allegations with respect to the state common law claim of unjust enrichment pending against ASIC. Later in January 2014, PNC Bank filed a similar motion to dismiss the nationwide class action allegations, on the same grounds as asserted in ASIC's motion to dismiss, with respect to the state common law claims of breach of contract, breach of the implied covenant of good faith and fair dealing, and breach of fiduciary duty pending against PNC Bank. The plaintiff thereafter agreed to withdraw those allegations. In February 2014, the court entered an order dismissing the plaintiff's nationwide class action allegations with regard to all remaining claims against PNC. Also in February 2014, the court on its own motion transferred the matter to the United States District Court for the Southern District of Ohio.

In February 2014, a separate class action lawsuit (*Montoya vs. PNC Bank, N.A*., et al., Case No. 1:14-cv-20474-JEM) was filed in the United States District Court for the Southern District of Florida against PNC Bank, ASIC and its parent, Assurant, Inc. The allegations of the complaint are similar to those found in the *Lauren* complaint. The plaintiff asserts breach of contract by PNC, breach of its duty of good faith and fair dealing, unjust enrichment, breach of a fiduciary duty, and violations of the Florida Deceptive and Unfair Trade Practices Act and federal TILA and RICO statutes. The plaintiff seeks a nationwide class on all claims except the Florida statutory claim, for which he seeks to certify a Florida subclass. The plaintiff seeks, among other things, damages (including treble damages), disgorgement of "unjust benefits," injunctive relief, interest and attorneys' fees.

PATENT INFRINGEMENT LITIGATION

In June 2013, a lawsuit (*Intellectual Ventures I LLC and Intellectual Ventures II LLC vs. PNC Financial Services Group, Inc., and PNC Bank, NA*, Case No. 2:13-cv-00740-AJS) was filed in the United States District Court for the Western District of Pennsylvania against PNC and PNC Bank for patent infringement. The plaintiffs allege that multiple systems by which PNC and PNC Bank provide online banking services and other services via electronic means infringe five patents owned by the plaintiffs. The plaintiffs seek, among other things, a declaration that PNC and PNC Bank are infringing each of the patents, damages for past and future infringement, and attorneys' fees. In July 2013, we filed an Answer with Counterclaims, denying liability and seeking declarations that the asserted patents are invalid and that PNC has not infringed them. In November 2013, PNC filed Covered Business Method/Post Grant Review petitions in the U.S. Patent & Trademark Office ("PTO") seeking to invalidate all five of the patents. On December 6, 2013, the court dismissed the plaintiff's claims as to two of the patents and entered a stay of the lawsuit pending the PTO's consideration of PNC's review petitions, including any appeals from decisions of the PTO.

MORTGAGE REPURCHASE LITIGATION

In December 2013, Residential Funding Company, LLC ("RFC") filed a lawsuit in the United States District Court for the District of Minnesota against PNC Bank, N.A., as alleged successor in interest to National City Mortgage Co., NCMC Newco, Inc., and North Central Financial Corporation (*Residential Funding Company, LLC v. PNC Bank, N.A., et al.* (Civil No. 13-3498- JRT-JSM)). In its complaint, RFC alleges that PNC Bank (through predecessors) sold $6.5 billion worth of residential mortgage loans to RFC during the timeframe at issue (approximately May 2006 through September 2008), a portion of which were allegedly materially defective, resulting in damages and losses to RFC. RFC alleges that PNC Bank breached representations and warranties made under seller contracts in connection with these sales. The complaint asserts claims for breach of contract and indemnification. RFC seeks, among other things, monetary damages, costs, and attorney's fees.

OTHER REGULATORY AND GOVERNMENTAL INQUIRIES

PNC is the subject of investigations, audits and other forms of regulatory and governmental inquiry covering a broad range of issues in our banking, securities and other financial services businesses, in some cases as part of reviews of specified activities at multiple industry participants. Over the last few years, we have experienced an increase in regulatory and governmental investigations, audits and other inquiries. Areas of current regulatory or governmental inquiry with respect to PNC include consumer financial protection, fair lending, mortgage origination and servicing, mortgage-related insurance and reinsurance, sales by third party providers of voluntary identity protection services to PNC customers, municipal finance activities, and participation in government insurance or guarantee programs, some of which are described below. These inquiries, including those described below, may lead to administrative, civil or criminal proceedings, and possibly result in remedies including fines, penalties, restitution, or alterations in our business practices, and in additional expenses and collateral costs.

- One area of significant regulatory and governmental focus has been mortgage lending and servicing. Numerous federal and state governmental, legislative and regulatory authorities are investigating practices in this area. PNC has received inquiries from, or is the subject of investigations by, a broad range of governmental, legislative and regulatory authorities relating to our activities in this area and is cooperating with these investigations and inquiries. 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 at this time predict the ultimate overall cost to or effect on PNC from potential governmental, legislative or regulatory actions arising out of these investigations and inquiries.
  - In April 2011, as a result of a publicly-disclosed interagency horizontal review of residential mortgage servicing operations at fourteen federally regulated mortgage servicers, PNC entered into a consent order with the Board of Governors of the Federal Reserve System and PNC Bank entered into a consent order with the Office of the Comptroller of the Currency. Collectively, these consent orders describe certain foreclosure-related practices and controls that the regulators found to be deficient and require PNC and PNC Bank to, among other things, develop and implement plans and programs to enhance PNC's residential mortgage servicing

and foreclosure processes, retain an independent consultant to review certain residential mortgage foreclosure actions, take certain remedial actions, and oversee compliance with the orders and the new plans and programs. The two orders do not foreclose the potential for civil money penalties from either of these regulators, although the range of potential penalties communicated to PNC by the regulators in connection with the agreements described below is not material to PNC.

In connection with these orders, PNC established a Compliance Committee of the Boards of PNC and PNC Bank to monitor and coordinate PNC's and PNC Bank's implementation of the commitments under the orders. PNC and PNC Bank are executing Action Plans designed to meet the requirements of the orders. Consistent with the orders, PNC also engaged an independent consultant to conduct a review of certain residential foreclosure actions, including those identified through borrower complaints, and identify whether any remedial actions for borrowers are necessary.

In early 2013, PNC and PNC Bank, along with twelve other residential mortgage servicers, reached agreements with the OCC and the Federal Reserve to amend these consent orders. Pursuant to the amended consent orders, in order to accelerate the remediation process, PNC agreed to make a payment of approximately $70 million for distribution to potentially affected borrowers in the review population and to provide approximately $111 million in additional loss mitigation or other foreclosure prevention relief, which may be satisfied pursuant to the amended consent orders by a variety of borrower relief actions or by additional cash payments or resource commitments to borrower counseling or education. Fulfillment of these commitments will satisfy all of PNC's and PNC Bank's obligations under the consent orders in connection with the independent foreclosure review. We do not expect any additional financial charges related to the amendment to the consent orders to be material. PNC's and PNC Bank's obligations to comply with the remaining provisions of the consent orders remain.

- On February 9, 2012, the Department of Justice, other federal regulators and 49 state attorneys general announced agreements with the five largest mortgage servicers. Written agreements were filed with the U.S. District Court for the Southern District of New York in March 2012. Under these agreements, the mortgage servicers will make cash payments to federal and state governments, provide various forms of financial relief to borrowers, and implement new mortgage servicing standards. These governmental authorities are continuing their review of, and have engaged in discussions with, other mortgage servicers, including PNC, that were subject to the interagency horizontal review, which could result in the imposition of substantial payments and other forms of relief (similar to that agreed to by the five largest servicers) on some or all of these mortgage servicers, including PNC. Whether and to what extent any such relief may be imposed on PNC is not yet known.
- PNC has received subpoenas from the U.S. Attorney's Office for the Southern District of New York. The first two subpoenas concern National City Bank's lending practices in connection with loans insured by the Federal Housing Administration (FHA) as well as certain non-FHA-insured loan origination, sale and securitization practices, and a third seeks information regarding claims for costs that are incurred by foreclosure counsel in connection with the foreclosure of loans insured or guaranteed by FHA, Fannie Mae or Freddie Mac. These inquiries are in their early stages and PNC is cooperating with the investigations.
- The Department of Justice, Civil Rights Division, and the Consumer Financial Protection Bureau jointly investigated whether mortgage loan pricing by National City and PNC had a disparate impact on protected classes. In December 2013, PNC settled with the Department of Justice and the CFPB covering lending activity by National City Bank from 2002 to its merger with PNC Bank. Under a consent order entered by the United States District Court for the Western District of Pennsylvania in January 2014, PNC is making a cash payment of $35 million to be distributed to National City borrowers to be identified by these agencies.

- The Department of Justice, Consumer Protection Bureau, has served a subpoena on PNC seeking information concerning the return rate for certain merchant and payment processor customers with whom PNC has a depository relationship. We believe that the subpoena is intended to determine whether, and to what extent, PNC may have facilitated fraud committed by third-parties against consumers. We are cooperating with the subpoena.

- Through the U.S. Attorney's Office for the District of Maryland, the office of the Inspector General ("OIG") for the Small Business Administration ("SBA") has served a subpoena on PNC requesting documents concerning PNC's relationship with, including SBA-guaranteed loans made through, a broker named Jade Capital Investments, LLC ("Jade"), as well as information regarding other PNC-originated SBA guaranteed loans made to businesses located in the State of Maryland, the Commonwealth of Virginia, and Washington, DC. Certain of the Jade loans have been identified in an indictment and subsequent superseding indictment charging persons associated with Jade with conspiracy to commit bank fraud, substantive violations of the federal bank fraud statute, and money laundering. PNC is cooperating with the U.S. Attorney's Office for the District of Maryland.

Our practice is to cooperate fully with regulatory and governmental investigations, audits and other inquiries, including those described in this Note 23.

OTHER

In addition to the proceedings or other matters described above, PNC and persons to whom we may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. We do not anticipate, at the present time, that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on our financial position. However, we cannot now determine whether or not any claims asserted against us or others to whom we may have indemnification obligations, whether in the proceedings or other matters described above or otherwise, will have a material adverse effect on our results of operations in any future reporting period, which will depend on, among other things, the amount of the loss resulting from the claim and the amount of income otherwise reported for the reporting period.

See Note 24 Commitments and Guarantees for additional information regarding the Visa indemnification and our other obligations to provide indemnification, including to current and former officers, directors, employees and agents of PNC and companies we have acquired.

NOTE 24 COMMITMENTS AND GUARANTEES

EQUITY FUNDING AND OTHER COMMITMENTS

Our unfunded commitments at December 31, 2013 included private equity investments of $164 million.

STANDBY LETTERS OF CREDIT

We issue standby letters of credit and have risk participations in standby letters of credit issued by other financial institutions, in each case to support obligations of our customers to third parties, such as insurance requirements and the facilitation of transactions involving capital markets product execution. Net outstanding standby letters of credit and internal credit ratings were as follows:

Table 151: Net Outstanding Standby Letters of Credit

Dollars in billions	December 31 2013	December 31 2012
Net outstanding standby letters of credit (a)	$ 10.5	$ 11.5
Internal credit ratings (as a percentage of portfolio):		
Pass (b)	96%	95%
Below pass (c)	4%	5%

(a) The amounts above exclude participations in standby letters of credit of $3.3 billion and $3.2 billion to other financial institutions as of December 31, 2013 and December 31, 2012, respectively. The amounts above include $6.6 billion and $7.5 billion which support remarketing programs at December 31, 2013 and December 31, 2012, respectively.
(b) Indicates that expected risk of loss is currently low.
(c) 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 a draw by a beneficiary, subject to the terms of the letter of credit, we would be obligated to make payment to them. The standby letters of credit outstanding on December 31, 2013 had terms ranging from less than 1 year to 6 years.

As of December 31, 2013, assets of $2.0 billion secured certain specifically identified standby letters of credit. In addition, a portion of the remaining standby letters of credit 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 participations in standby letters of credit was $218 million at December 31, 2013.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES

We enter into standby bond purchase agreements to support municipal bond obligations. At December 31, 2013, the aggregate of our commitments under these facilities was $1.3 billion. We also enter into certain other liquidity facilities to support individual pools of receivables acquired by commercial paper conduits. There were no commitments under these facilities at December 31, 2013.

INDEMNIFICATIONS

We are a party to numerous acquisition or divestiture agreements under which we have purchased or sold, or agreed to purchase or sell, various types of assets. These agreements can cover the purchase or sale of entire businesses, loan portfolios, branch banks, partial interests in companies, or other types of assets.

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

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

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.

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 unfunded 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.

In some cases, indemnification obligations of the types described above arise under arrangements entered into by predecessor companies for which we become responsible as a result of the acquisition.

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 2013. 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.

VISA INDEMNIFICATION

Our payment services business issues and acquires credit and debit card transactions through Visa U.S.A. Inc. card association or its affiliates (Visa).

In October 2007, Visa completed a restructuring and issued shares of Visa Inc. common stock to its financial institution members (Visa Reorganization) in contemplation of its initial public offering (IPO). As part of the Visa Reorganization, we received our proportionate share of a class of Visa Inc. common stock allocated to the U.S. members. Prior to the IPO, the U.S. members, which included PNC, were obligated to indemnify Visa for judgments and settlements related to certain specified litigation.

As a result of the acquisition of National City, we became party to judgment and loss sharing agreements with Visa and certain other banks. The judgment and loss sharing agreements were designed to apportion financial responsibilities arising from any potential adverse judgment or negotiated settlements related to the specified litigation.

In July 2012, Visa funded $150 million into their litigation escrow account and reduced the conversion rate of Visa B to A shares. We continue to have an obligation to indemnify Visa for judgments and settlements for the remaining specified litigation, therefore we may have additional exposure to certain specified Visa litigation.

RECOURSE AND REPURCHASE OBLIGATIONS

As discussed in Note 3 Loan Sale and Servicing Activities and Variable Interest Entities, PNC has sold commercial mortgage, residential mortgage and home equity loans directly or indirectly through securitization and loan sale transactions in which we have continuing involvement. One form of continuing involvement includes certain recourse and loan repurchase obligations associated with the transferred assets.

COMMERCIAL MORTGAGE LOAN RECOURSE OBLIGATIONS

We originate, close and service certain multi-family commercial mortgage loans which are sold to FNMA under FNMA's Delegated Underwriting and Servicing (DUS) program. We participated in a similar program with the FHLMC.

Under these programs, we generally assume up to a one-third pari passu risk of loss on unpaid principal balances through a loss share arrangement. At December 31, 2013 and December 31, 2012, the unpaid principal balance outstanding of loans sold as a participant in these programs was $11.7 billion and $12.8 billion, respectively. The potential maximum exposure under the loss share arrangements was $3.6 billion at December 31, 2013 and $3.9 billion at December 31, 2012.

We maintain a reserve for estimated losses based upon our exposure. The reserve for losses under these programs totaled $33 million and $43 million as of December 31, 2013 and December 31, 2012, respectively, 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. Our exposure and activity associated with these recourse obligations are reported in the Corporate & Institutional Banking segment.

Table 152: Analysis of Commercial Mortgage Recourse Obligations

In millions	2013	2012
January 1	$43	$47
Reserve adjustments, net	(9)	4
Losses – loan repurchases and settlements	(1)	(8)
December 31	$33	$43

RESIDENTIAL MORTGAGE LOAN AND HOME EQUITY REPURCHASE OBLIGATIONS

While residential mortgage loans are sold on a non-recourse basis, we assume certain loan repurchase obligations associated with mortgage loans we have sold to investors. These loan repurchase obligations primarily relate to situations where PNC is alleged to have breached certain origination covenants and representations and warranties made to purchasers of the loans in the respective purchase and sale agreements. For additional information on loan sales see Note 3 Loan Sale and Servicing Activities and Variable Interest Entities. Our historical exposure and activity associated with Agency securitization repurchase obligations has primarily been related to transactions with FNMA and FHLMC, as indemnification and repurchase losses associated with FHA and VA-insured and uninsured loans pooled in GNMA securitizations historically have been minimal. Repurchase obligation activity associated with residential mortgages is reported in the Residential Mortgage Banking segment.

In the fourth quarter of 2013, PNC reached agreements with both FNMA and FHLMC to resolve their repurchase claims with respect to loans sold between 2000 and 2008. PNC paid a total of $191 million related to these settlements.

PNC's repurchase obligations also include certain brokered home equity loans/lines of credit that were sold to a limited number of private investors in the financial services industry by National City prior to our acquisition of National City. PNC is no longer engaged in the brokered home equity lending business, and our exposure under these loan repurchase obligations is limited to repurchases of loans sold in these transactions. Repurchase activity associated with brokered home equity loans/lines of credit is reported in the Non-Strategic Assets Portfolio segment.

Indemnification and repurchase liabilities are initially recognized when loans are sold to investors and are subsequently evaluated by management. Initial recognition and subsequent adjustments to the indemnification and repurchase liability for the sold residential mortgage portfolio are recognized in Residential mortgage revenue on the Consolidated Income Statement. Since PNC is no longer engaged in the brokered home equity lending business, only subsequent adjustments are recognized to the home equity loans/lines indemnification and repurchase liability. These adjustments are recognized in Other noninterest income on the Consolidated Income Statement.

Management's subsequent evaluation of these indemnification and repurchase liabilities is based upon trends in indemnification and repurchase requests, actual loss experience, risks in the underlying serviced loan portfolios, and current economic conditions. As part of its evaluation, management considers estimated loss projections over the life of the subject loan portfolio. At December 31, 2013 and December 31, 2012, the total indemnification and repurchase liability for estimated losses on indemnification and repurchase claims totaled $153 million and $672 million, respectively, and was included in Other liabilities on the Consolidated Balance Sheet. An analysis of the changes in this liability during 2013 and 2012 follows:

Table 153: Analysis of Indemnification and Repurchase Liability for Asserted Claims and Unasserted Claims

	2013			2012		
In millions	Residential Mortgages (a)	Home Equity Loans/ Lines (b)	Total	Residential Mortgages (a)	Home Equity Loans/ Lines (b)	Total
January 1	$ 614	$ 58	$ 672	$ 83	$ 47	$130
Reserve adjustments, net	4	(3)	1	32	12	44
RBC Bank (USA) acquisition				26		26
Losses – loan repurchases and private investor settlements	(96)	(30)	(126)	(40)	(8)	(48)
March 31	$ 522	$ 25	$ 547	$ 101	$ 51	$152
Reserve adjustments, net	73	1	74	438	15	453
Losses – loan repurchases and private investor settlements	(72)	(2)	(74)	(77)	(5)	(82)
June 30	$ 523	$ 24	$ 547	$ 462	$ 61	$523
Reserve adjustments, net	(6)		(6)	37	4	41
Losses – loan repurchases and private investor settlements	(46)	(1)	(47)	(78)	(3)	(81)
September 30	$ 471	$ 23	$ 494	$ 421	$ 62	$483
Reserve adjustments, net	(124)	2	(122)	254	(2)	252
Losses – loan repurchases and private investor settlements	(25)	(3)	(28)	(61)	(2)	(63)
Agency settlements	(191)		(191)			
December 31	131	22	153	614	58	672

(a) Repurchase obligation associated with sold loan portfolios of $91.9 billion and $105.8 billion at December 31, 2013 and December 31, 2012, respectively.
(b) Repurchase obligation associated with sold loan portfolios of $3.6 billion and $4.3 billion at December 31, 2013 and December 31, 2012, respectively. PNC is no longer engaged in the brokered home equity business, which was acquired with National City.

Management believes the indemnification and repurchase liabilities appropriately reflect the estimated probable losses on indemnification and repurchase claims for all loans sold and outstanding as of December 31, 2013 and 2012. In making these estimates, we consider the losses that we expect to incur over the life of the sold loans. While management seeks to obtain all relevant information in estimating the indemnification and repurchase liability, the estimation process is inherently uncertain and imprecise and, accordingly, it is reasonably possible that future indemnification and repurchase losses could be more or less than our established liability. Factors that could affect our estimate include the volume of valid claims driven by investor strategies and behavior, our ability to successfully negotiate claims with investors, housing prices and other economic conditions. At December 31, 2013, we estimate that it is reasonably possible that we could incur additional losses in excess of our accrued indemnification and repurchase liability of up to approximately $100 million for our portfolio of residential mortgage loans sold. At December 31, 2013, the reasonably possible loss above our accrual for our portfolio of home equity loans/lines of credit sold was not material. This estimate of potential additional losses in excess of our liability is based on assumed higher repurchase claims and lower claim rescissions than our current assumptions.

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.

These subsidiaries provide reinsurance for accidental death & dismemberment, credit life, accident & health, lender placed hazard and borrower and lender paid mortgage insurance with an aggregate maximum exposure up to the specified limits for all reinsurance contracts as follows:

Table 154: Reinsurance Agreements Exposure (a)

In millions	December 31 2013	December 31 2012
Accidental Death & Dismemberment	$ 1,902	$ 2,049
Credit Life, Accident & Health	621	795
Lender Placed Hazard (b)	2,679	2,774
Borrower and Lender Paid Mortgage Insurance	133	228
Maximum Exposure	$ 5,335	$ 5,846
Percentage of reinsurance agreements:		
Excess of Loss – Mortgage Insurance	2%	3%
Quota Share	98%	97%
Maximum Exposure to Quota Share Agreements with 100% Reinsurance	$ 620	$ 794

(a) Reinsurance agreements exposure balances represent estimates based on availability of financial information from insurance carriers.
(b) Through the purchase of catastrophe reinsurance connected to the Lender Placed Hazard Exposure, should a catastrophic event occur, PNC will benefit from this reinsurance. No credit for the catastrophe reinsurance protection is applied to the aggregate exposure figure.

A rollforward of the reinsurance reserves for probable losses for 2013 and 2012 follows:

Table 155: Reinsurance Reserves – Rollforward

In millions	2013	2012
January 1	$ 61	$ 82
Paid Losses	(45)	(66)
Net Provision	16	45
December 31	$ 32	$ 61

There were no changes to the terms of existing agreements, nor were any new relationships entered into or existing relationships exited.

There is a reasonable possibility that losses could be more than or less than the amount reserved due to ongoing uncertainty in various economic, social and other factors that could impact the frequency and severity of claims covered by these reinsurance agreements. At December 31, 2013, the reasonably possible loss above our accrual was not material.

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

Repurchase and resale agreements are typically entered into with counterparties under industry standard master netting agreements which provide for the right to setoff amounts owed to one another with respect to multiple repurchase and resale agreements under such master netting agreement (referred to as netting arrangements) and liquidate the purchased or borrowed securities in the event of counterparty default. In order for an arrangement to be eligible for netting under GAAP, we must obtain the requisite assurance that the offsetting rights included in the master netting agreement would be legally enforceable in the event of bankruptcy, insolvency, or a similar proceeding of such third party. Enforceability is evidenced by obtaining a legal opinion that supports, with sufficient confidence, the enforceability of the master netting agreement in bankruptcy.

In accordance with the disclosure requirements of ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities, Table 156 shows the amounts owed under resale and repurchase agreements and the securities collateral associated with those agreements where a legal opinion supporting the enforceability of the offsetting rights has been obtained. We do not present resale and repurchase agreements entered into with the same counterparty under a legally enforceable master netting agreement on a net basis on our Consolidated Balance Sheet or within Table 156. The amounts reported in Table 156 exclude the fair value adjustment on the structured resale agreements of $11 million and $19 million at December 31, 2013 and December 31, 2012, respectively, that we have elected to account for at fair value. Refer to Note 9 Fair Value for additional information regarding the structured resale agreements at fair value.

For further discussion on ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and the impact of other instruments entered into under master netting arrangements, see Note 1 Accounting Policies. Refer to Note 17 Financial Derivatives for additional information related to offsetting of financial derivatives.

Table 156: Resale and Repurchase Agreements Offsetting

In millions	Gross Resale Agreements	Amounts Offset on the Consolidated Balance Sheet	Net Resale Agreements (a) (b)	Securities Collateral Held Under Master Netting Agreements (c)	Net Amounts (b)
Resale Agreements					
December 31, 2013	$ 1,542		$ 1,542	$ 1,453	$ 89
December 31, 2012	975		975	884	91

In millions	Gross Repurchase Agreements	Amounts Offset on the Consolidated Balance Sheet	Net Repurchase Agreements (d) (e)	Securities Collateral Pledged Under Master Netting Agreements (c)	Net Amounts (e)
Repurchase Agreements					
December 31, 2013	$ 4,183		$ 4,183	$ 3,166	$ 1,017
December 31, 2012	3,215		3,215	2,168	1,047

(a) Represents the resale agreement amount included in Federal funds sold and resale agreements on our Consolidated Balance Sheet and the related accrued interest income in the amount of $1 million at both December 31, 2013 and December 31, 2012, respectively, which is included in Other Assets on the Consolidated Balance Sheet.

(b) These amounts include certain long term resale agreements of $89 million at both December 31, 2013 and December 31, 2012, respectively, which are fully collateralized but do not have the benefits of a netting opinion and, therefore, might be subject to a stay in insolvency proceedings and therefore are not eligible under ASC 210-20 for netting.

(c) In accordance with the requirements of ASU 2011-11, represents the fair value of securities collateral purchased or sold, up to the amount owed under the agreement, for agreements supported by a legally enforceable master netting agreement.

(d) Represents the repurchase agreement amount included in Federal funds purchased and repurchase agreements on our Consolidated Balance Sheet and the related accrued interest expense in the amount of less than $1 million at both December 31, 2013 and December 31, 2012, which is included in Other Liabilities on the Consolidated Balance Sheet.

(e) These amounts include overnight repurchase agreements of $966 million and $997 million at December 31, 2013 and December 31, 2012, respectively, entered into with municipalities, pension plans, and certain trusts and insurance companies as well as certain long term repurchase agreements of $50 million at both December 31, 2013 and December 31, 2012, which are fully collateralized but do not have the benefits of a netting opinion and, therefore, might be subject to a stay in insolvency proceedings and therefore are not eligible under ASC 210-20 for netting.

Note 25 Parent Company

Summarized financial information of the parent company is as follows:

Table 157: Parent Company – Income Statement

Year ended December 31– in millions	2013	2012	2011
Operating Revenue			
Dividends from:			
Bank subsidiaries and bank holding company	$3,105	$2,660	$2,513
Non-bank subsidiaries	205	91	131
Interest income			1
Noninterest income	28	22	24
Total operating revenue	3,338	2,773	2,669
Operating Expense			
Interest expense	107	242	333
Other expense	93	359	275
Total operating expense	200	601	608
Income before income taxes and equity in undistributed net income of subsidiaries	3,138	2,172	2,061
Income tax benefits	(89)	(175)	(113)
Income before equity in undistributed net income of subsidiaries	3,227	2,347	2,174
Equity in undistributed net income of subsidiaries:			
Bank subsidiaries and bank holding company	869	424	699
Non-bank subsidiaries	124	242	183
Net income	$4,220	$3,013	$3,056
Other comprehensive income, net of tax:			
Net pension and other postretirement benefit plan activity arising during the period	34	(40)	(13)
Other comprehensive income (loss)	34	(40)	(13)
Comprehensive income	$4,254	$2,973	$3,043

Table 158: Parent Company – Balance Sheet

December 31– in millions	2013	2012
Assets		
Cash held at banking subsidiary	$ 1	$ 2
Restricted deposits with banking subsidiary	400	400
Interest-earning deposits	221	6
Investments in:		
Bank subsidiaries and bank holding company	40,667	40,208
Non-bank subsidiaries	2,269	2,238
Other assets	1,201	1,186
Total assets	$44,759	$44,040
Liabilities		
Subordinated debt (a)	$ 824	$ 1,275
Senior debt (a)	856	892
Bank affiliate borrowings	63	140
Non-bank affiliate borrowings		2,066
Accrued expenses and other liabilities	608	664
Total liabilities	2,351	5,037
Equity		
Shareholders' equity	42,408	39,003
Total liabilities and equity	$44,759	$44,040

(a) At December 31, 2013, debt that contractually matures in 2014 through 2018 totaled zero, $400 million (senior debt), zero, zero and zero, respectively.

Debt issued by PNC Funding Corp, a wholly-owned finance subsidiary, is fully and unconditionally guaranteed by the parent company. In addition, in connection with certain affiliates' commercial and residential mortgage servicing operations, the parent company has committed to maintain such affiliates' net worth above minimum requirements.

Table 159: Parent Company – Interest Paid and Income Tax Refunds (Payments)

Year ended December 31– in millions	Interest Paid	Income Tax Refunds / (Payments)
2013	$ 117	$ 91
2012	255	453
2011	361	(130)

Table 160: Parent Company – Statement of Cash Flows

Year ended December 31– in millions	2013	2012	2011
Operating Activities			
Net income	$ 4,220	$ 3,013	$ 3,056
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net earnings of subsidiaries	(993)	(666)	(882)
Other	152	566	(24)
Net cash provided (used) by operating activities	3,379	2,913	2,150
Investing Activities			
Net capital returned from (contributed to) subsidiaries	87		50
Net change in Restricted deposits with banking subsidiary			(150)
Net cash paid for acquisition activity		(3,432)	
Other	(274)	(50)	(35)
Net cash provided (used) by investing activities	(187)	(3,482)	(135)
Financing Activities			
Borrowings from subsidiaries	3,624	8,374	4,660
Repayments on borrowings from subsidiaries	(5,767)	(6,943)	(4,962)
Other borrowed funds	(467)	(1,753)	(2,188)
Preferred stock – Other issuances	495	2,446	987
Preferred stock – Other redemptions	(150)	(500)	
Common and treasury stock issuances	244	158	72
Acquisition of treasury stock	(24)	(216)	(73)
Preferred stock cash dividends paid	(237)	(177)	(56)
Common stock cash dividends paid	(911)	(820)	(604)
Net cash provided (used) by financing activities	(3,193)	569	(2,164)
Increase (decrease) in cash and due from banks	(1)	–	(149)
Cash held at banking subsidiary at beginning of year	2	2	151
Cash held at banking subsidiary at end of year	$ 1	$ 2	$ 2

NOTE 26 SEGMENT REPORTING

We have six reportable business segments:

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

Results of individual businesses are presented based on our internal management reporting practices. 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 periodically refine our internal methodologies as management reporting practices are enhanced. To the extent practicable, retrospective application of new methodologies is made to prior period reportable business segment results and disclosures to create comparability to the current period presentation to reflect any such refinements.

Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Additionally, we have aggregated the results for corporate support functions within "Other" 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. A portion of capital is intended to cover unexpected losses and is assigned to our business segments using our risk-based economic capital model, including consideration of the goodwill at those business segments, as well as the diversification of risk among the business segments, ultimately reflecting PNC's portfolio risk adjusted capital allocation.

We have allocated the allowances for loan and lease losses and for unfunded loan commitments and letters of credit based on the loan exposures within each business segment's portfolio. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions are periodically updated.

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 net income. 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, integration costs, asset and liability management activities including net securities gains or losses, other-than-temporary impairment of investment securities and certain trading activities, exited businesses, private equity investments, intercompany eliminations, most corporate overhead, tax adjustments that are not allocated to business segments, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments' results exclude their portion 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, 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, ATMs, call centers, online banking and mobile channels. The branch network is located primarily in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina.

Corporate & Institutional Banking provides lending, treasury management, and capital markets-related products and services to mid-sized and large corporations, government and not-for-profit entities. 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, securities, loan syndications and mergers and acquisitions advisory and related services to middle-market companies. We also provide commercial loan servicing, and real estate advisory and technology solutions, for the commercial real estate finance industry. Products and services are generally provided within our primary geographic markets, with certain products and services offered nationally and internationally.

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 investment and retirement 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 administration and retirement administration services. Institutional clients include corporations, unions, municipalities, non-profits, foundations and endowments, primarily located in our geographic footprint.

Residential Mortgage Banking directly originates first lien residential mortgage loans on a nationwide basis with a significant presence within the retail banking footprint, and originates loans through majority owned affiliates. 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 secondary mortgage conduits of FNMA, FHLMC, Federal Home Loan Banks and third-party investors, or are securitized and issued under the 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 loan applications are brokered by majority owned affiliates to others.

BlackRock is a leader in investment management, risk management and advisory services for institutional and retail clients worldwide. BlackRock provides diversified investment management services to institutional clients, intermediary investors and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset class, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, *iShares®* exchange-traded funds (ETFs), collective investment trusts and separate accounts. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

We hold an equity investment in BlackRock, which is a key component of our diversified revenue strategy. BlackRock is a publicly traded company, and additional information regarding its business is available in its filings with the Securities and Exchange Commission (SEC). At December 31, 2013, our economic interest in BlackRock was 22%.

PNC received cash dividends from BlackRock of $249 million during 2013, $225 million during 2012 and $212 million during 2011.

Non-Strategic Assets Portfolio includes a consumer portfolio of mainly residential mortgage and brokered home equity loans and lines of credit, and a small commercial loan and lease portfolio. We obtained a significant portion of these non-strategic assets through acquisitions of other companies.

Table 161: Results Of Businesses

Year ended December 31 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Non-Strategic Assets Portfolio	Other	Consolidated
2013								
Income Statement								
Net interest income	$ 4,077	$ 3,680	$ 288	$ 194		$ 689	$ 219	$ 9,147
Noninterest income	2,021	1,702	752	906	$ 621	53	810	6,865
Total revenue	6,098	5,382	1,040	1,100	621	742	1,029	16,012
Provision for credit losses (benefit)	657	(25)	10	21		(21)	1	643
Depreciation and amortization	186	128	42	11			348	715
Other noninterest expense	4,390	1,871	732	834		163	1,096	9,086
Income (loss) before income taxes and noncontrolling interests	865	3,408	256	234	621	600	(416)	5,568
Income taxes (benefit)	315	1,144	94	86	152	221	(671)	1,341
Net income	$ 550	$ 2,264	$ 162	$ 148	$ 469	$ 379	$ 255	$ 4,227
Inter-segment revenue	$ 3	$ 28	$ 12	$ 8	$ 17	$ (10)	$ (58)	
Average Assets (a)	$74,971	$112,970	$ 7,366	$ 9,896	$ 6,272	$ 9,987	$84,304	$ 305,766
2012								
Income Statement								
Net interest income	$ 4,314	$ 3,991	$ 297	$ 209		$ 830	$ (1)	$ 9,640
Noninterest income	2,012	1,598	676	317	$ 512	13	744	5,872
Total revenue	6,326	5,589	973	526	512	843	743	15,512
Provision for credit losses (benefit)	800	–	11	(5)		181	–	987
Depreciation and amortization	194	141	41	11			320	707
Other noninterest expense	4,392	1,887	691	981		287	1,637	9,875
Income (loss) before income taxes and noncontrolling interests	940	3,561	230	(461)	512	375	(1,214)	3,943
Income taxes (benefit)	344	1,233	85	(153)	117	138	(822)	942
Net income (loss)	$ 596	$ 2,328	$ 145	$ (308)	$ 395	$ 237	$ (392)	$ 3,001
Inter-segment revenue	$ 1	$ 33	$ 12	$ 7	$ 15	$ (10)	$ (58)	
Average Assets (a)	$72,573	$102,962	$ 6,735	$ 11,529	$ 5,857	$ 12,050	$83,319	$ 295,025
2011								
Income Statement								
Net interest income	$ 3,804	$ 3,465	$ 280	$ 201		$ 913	$ 37	$ 8,700
Noninterest income	1,773	1,237	649	751	$ 464	47	705	5,626
Total revenue	5,577	4,702	929	952	464	960	742	14,326
Provision for credit losses (benefit)	891	(124)	(24)	5		366	38	1,152
Depreciation and amortization	186	144	41	10			278	659
Other noninterest expense	3,917	1,688	646	787		275	1,133	8,446
Income (loss) before income taxes and noncontrolling interests	583	2,994	266	150	464	319	(707)	4,069
Income taxes (benefit)	212	1,054	98	61	103	119	(649)	998
Net income (loss)	$ 371	$ 1,940	$ 168	$ 89	$ 361	$ 200	$ (58)	$ 3,071
Inter-segment revenue	$ 1	$ 20	$ 13	$ 7	$ 16	$ (10)	$ (47)	
Average Assets (a)	$66,448	$ 81,043	$ 6,719	$ 11,270	$ 5,516	$ 13,119	$81,220	$ 265,335

(a) Period-end balances for BlackRock.

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NOTE 27 SUBSEQUENT EVENTS

On January 16, 2014, PNC Bank, N.A. established a new bank note program under which it may from time to time offer up to $25 billion aggregate principal amount at any one time outstanding of its unsecured senior and subordinated notes due more than nine months from their date of issue (in the case of senior notes) and due five years or more from their date of issue (in the case of subordinated notes). The $25 billion of notes authorized to be issued and outstanding at any one time includes notes issued by PNC Bank, N.A. prior to January 16, 2014 and those notes PNC Bank, N.A. has acquired through the acquisition of other banks, in each case for so long as such notes remain outstanding. The terms of the new program do not affect any of the bank notes issued prior to January 16, 2014. Under this program, on January 28, 2014, PNC Bank, N.A. issued:

- $750 million of senior notes with a maturity date of January 28, 2019. Interest is payable semi-annually, at a fixed rate of 2.200% on January 28 and July 28 of each year, beginning on July 28, 2014, and
- $1.0 billion of senior notes with a maturity date of January 27, 2017. Interest is payable semi-annually, at a fixed rate of 1.125% on January 27 and July 27 of each year, beginning on July 27, 2014.

During January 2014, we sold 1 million Visa Class B common shares and entered into a swap agreement with the purchaser of the shares, resulting in an after-tax gain of $40 million.

STATISTICAL INFORMATION (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

Selected Quarterly Financial Data (a)

Dollars in millions, except per share data	2013 Fourth	2013 Third	2013 Second	2013 First	2012 Fourth	2012 Third	2012 Second	2012 First
Summary Of Operations								
Interest income	$2,479	$2,448	$2,469	$2,611	$2,671	$2,670	$2,796	$2,597
Interest expense	213	214	211	222	247	271	270	306
Net interest income	2,266	2,234	2,258	2,389	2,424	2,399	2,526	2,291
Noninterest income (b)	1,807	1,686	1,806	1,566	1,645	1,689	1,097	1,441
Total revenue	4,073	3,920	4,064	3,955	4,069	4,088	3,623	3,732
Provision for credit losses	113	137	157	236	318	228	256	185
Noninterest expense	2,547	2,424	2,435	2,395	2,829	2,650	2,648	2,455
Income before income taxes and noncontrolling interests	1,413	1,359	1,472	1,324	922	1,210	719	1,092
Income taxes	352	320	349	320	203	285	173	281
Net income	1,061	1,039	1,123	1,004	719	925	546	811
Less: Net income (loss) attributable to noncontrolling interests	13	2	1	(9)	1	(14)	(5)	6
Preferred stock dividends and discount accretion and redemptions	50	71	53	75	54	63	25	39
Net income attributable to common shareholders	$ 998	$ 966	$1,069	$ 938	$ 664	$ 876	$ 526	$ 766
Per Common Share Data								
Book value	$72.21	$69.92	$68.46	$68.23	$67.05	$66.41	$64.00	$63.26
Basic earnings from net income (c)	1.87	1.82	2.02	1.78	1.26	1.66	1.00	1.45
Diluted earnings from net income (c)	1.85	1.79	1.99	1.76	1.24	1.64	.98	1.44

(a) Reflects the impact of the acquisition of RBC Bank (USA) beginning on March 2, 2012.

(b) Noninterest income included private equity gains/(losses) and net gains on sales of securities in each quarter as follows:

in millions	2013 Fourth	2013 Third	2013 Second	2013 First	2012 Fourth	2012 Third	2012 Second	2012 First
Private equity gains/(losses)	$ 99	$ 43	$ 33	$27	$ 43	$ 25	$ 47	$50
Net gains on sales of securities	3	21	61	14	45	40	62	57

(c) The sum of the quarterly amounts for 2013 and 2012 does not equal the respective year's amount because the quarterly calculations are based on a changing number of average shares.

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AVERAGE CONSOLIDATED BALANCE SHEET AND NET INTEREST ANALYSIS

Taxable-equivalent basis Dollars in millions	2013 Average Balances	2013 Interest Income/ Expense	2013 Average Yields/ Rates	2012 Average Balances	2012 Interest Income/ Expense	2012 Average Yields/ Rates	2011 Average Balances	2011 Interest Income/ Expense	2011 Average Yields/ Rates
Assets									
Interest-earning assets:									
Investment securities									
Securities available for sale									
Residential mortgage-backed									
Agency	$ 23,869	$ 624	2.61%	$ 26,522	$ 815	3.07%	$ 25,892	$ 894	3.45%
Non-agency	5,828	317	5.44	6,506	350	5.38	7,413	394	5.31
Commercial mortgage-backed	4,105	160	3.90	3,682	156	4.24	3,461	158	4.57
Asset-backed	5,857	110	1.88	5,227	106	2.03	3,402	84	2.47
U.S. Treasury and government agencies	2,326	37	1.59	2,733	55	2.01	4,308	114	2.65
State and municipal	2,250	97	4.31	1,920	91	4.74	2,002	91	4.55
Other debt	2,632	64	2.43	3,019	82	2.72	3,350	87	2.60
Corporate stocks and other	342			350			428		
Total securities available for sale	47,209	1,409	2.98	49,959	1,655	3.31	50,256	1,822	3.63
Securities held to maturity									
Residential mortgage-backed	4,374	153	3.50	4,423	156	3.53	2,424	83	3.42
Commercial mortgage-backed	3,422	151	4.41	4,288	195	4.55	4,444	220	4.95
Asset-backed	983	16	1.63	892	17	1.91	1,985	43	2.17
U.S. Treasury and government agencies	235	9	3.83	226	9	3.98	87	3	3.45
State and municipal	749	42	5.61	670	28	4.18	271	12	4.43
Other	347	11	3.17	358	10	2.79	221	7	3.17
Total securities held to maturity	10,110	382	3.78	10,857	415	3.82	9,432	368	3.90
Total investment securities	57,319	1,791	3.12	60,816	2,070	3.40	59,688	2,190	3.67
Loans									
Commercial	86,047	3,243	3.77	76,654	3,447	4.50	59,437	2,924	4.92
Commercial real estate	19,469	937	4.81	18,115	1,005	5.55	16,767	879	5.24
Equipment lease financing	7,329	292	3.98	6,674	307	4.60	6,219	309	4.97
Consumer	62,125	2,744	4.42	59,752	2,801	4.69	54,669	2,673	4.89
Residential real estate	15,003	773	5.15	15,423	832	5.39	14,924	883	5.92
Total loans	189,973	7,989	4.21	176,618	8,392	4.75	152,016	7,668	5.04
Loans held for sale	2,909	157	5.40	2,977	168	5.64	2,768	193	6.97
Federal funds sold and resale agreements	960	8	.83	1,594	22	1.38	2,297	33	1.44
Other	9,484	230	2.43	6,549	226	3.45	7,571	214	2.83
Total interest-earning assets/interest income	260,645	10,175	3.90	248,554	10,878	4.38	224,340	10,298	4.59
Noninterest-earning assets:									
Allowance for loan and lease losses	(3,796)			(4,157)			(4,656)		
Cash and due from banks	3,953			3,877			3,565		
Other	44,964			46,751			42,086		
Total assets	$305,766			$295,025			$265,335		
Liabilities and Equity									
Interest-bearing liabilities:									
Interest-bearing deposits									
Money market	$ 70,567	$ 128	.18%	$ 65,933	$ 138	.21%	$ 58,765	$ 184	.31%
Demand	40,144	18	.04	34,342	14	.04	27,563	23	.08
Savings	10,954	10	.09	9,863	9	.09	8,185	15	.18
Retail certificates of deposit	22,274	180	.81	26,609	210	.79	34,009	428	1.26
Time deposits in foreign offices and other time	2,061	8	.39	3,195	15	.47	2,815	18	.64
Total interest-bearing deposits	146,000	344	.24	139,942	386	.28	131,337	668	.51
Borrowed funds									
Federal funds purchased and repurchase agreements	3,884	6	.15	4,542	10	.22	4,469	7	.16
Federal Home Loan Bank borrowings	8,617	45	.52	9,678	72	.74	5,305	53	1.00
Bank notes and senior debt	11,221	191	1.70	10,275	236	2.30	11,202	252	2.25
Subordinated debt	7,373	205	2.78	7,019	320	4.56	8,942	456	5.10
Commercial paper	6,902	16	.23	8,383	23	.27	3,234	9	.28
Other	2,025	53	2.62	1,947	47	2.41	2,574	49	1.90
Total borrowed funds	40,022	516	1.29	41,844	708	1.69	35,726	826	2.31
Total interest-bearing liabilities/interest expense	186,022	860	.46	181,786	1,094	.60	167,063	1,494	.89
Noninterest-bearing liabilities and equity:									
Noninterest-bearing deposits	66,168			61,610			51,707		
Allowance for unfunded loan commitments and letters of credit	241			237			203		
Accrued expenses and other liabilities	10,961			11,350			11,040		
Equity	42,374			40,042			35,322		
Total liabilities and equity	$305,766			$295,025			$265,335		
Interest rate spread			3.44			3.78			3.70
Impact of noninterest-bearing sources			.13			.16			.22
Net interest income/margin		$ 9,315	3.57%		$ 9,784	3.94%		$ 8,804	3.92%

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 Bank of Cleveland are included in the "Other" interest-earning assets category.
Loan fees for the years ended December 31, 2013, 2012 and 2011 were $230 million, $217 million and $175 million, respectively.
Interest income includes the effects of taxable-equivalent adjustments using a statutory federal income tax rate of 35% to increase tax-exempt interest income to a taxable-equivalent basis. The taxable-equivalent adjustments to interest income for the years ended December 31, 2013, 2012 and 2011 were $168 million, $144 million and $104 million, respectively.

ANALYSIS OF YEAR-TO-YEAR CHANGES IN NET INTEREST INCOME

	2013/2012			2012/2011		
	Increase/(Decrease) in Income/ Expense Due to Changes in:			Increase/(Decrease) in Income/ Expense Due to Changes in:		
Taxable-equivalent basis – in millions	Volume	Rate	Total	Volume	Rate	Total
Interest-Earning Assets						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ (76)	$ (115)	$ (191)	$ 21	$ (100)	$ (79)
Non-agency	(37)	4	(33)	(49)	5	(44)
Commercial mortgage-backed	17	(13)	4	10	(12)	(2)
Asset-backed	12	(8)	4	39	(17)	22
U.S. Treasury and government agencies	(8)	(10)	(18)	(35)	(24)	(59)
State and municipal	15	(9)	6	(4)	4	
Other debt	(10)	(8)	(18)	(9)	4	(5)
Total securities available for sale	(87)	(159)	(246)	(11)	(156)	(167)
Securities held to maturity						
Residential mortgage-backed	(2)	(1)	(3)	70	3	73
Commercial mortgage-backed	(38)	(6)	(44)	(8)	(17)	(25)
Asset-backed	2	(3)	(1)	(22)	(4)	(26)
U.S. Treasury and government agencies				6		6
State and municipal	3	11	14	17	(1)	16
Other		1	1	4	(1)	3
Total securities held to maturity	(29)	(4)	(33)	55	(8)	47
Total investment securities	(115)	(164)	(279)	41	(161)	(120)
Loans						
Commercial	394	(598)	(204)	790	(267)	523
Commercial real estate	72	(140)	(68)	73	53	126
Equipment lease financing	28	(43)	(15)	22	(24)	(2)
Consumer	108	(165)	(57)	241	(113)	128
Residential real estate	(23)	(36)	(59)	29	(80)	(51)
Total loans	601	(1,004)	(403)	1,185	(461)	724
Loans held for sale	(4)	(7)	(11)	14	(39)	(25)
Federal funds sold and resale agreements	(7)	(7)	(14)	(10)	(1)	(11)
Other	83	(79)	4	(31)	43	12
Total interest-earning assets	$ 518	$ (1,221)	$ (703)	$ 1,069	$ (489)	$ 580
Interest-Bearing Liabilities						
Interest-bearing deposits						
Money market	$ 10	$ (20)	$ (10)	$ 20	$ (66)	$ (46)
Demand	4		4	4	(13)	(9)
Savings	1		1	2	(8)	(6)
Retail certificates of deposit	(35)	5	(30)	(80)	(138)	(218)
Time deposits in foreign offices and other time	(4)	(3)	(7)	2	(5)	(3)
Total interest-bearing deposits	16	(58)	(42)	41	(323)	(282)
Borrowed funds						
Federal funds purchased and repurchase agreements	(1)	(3)	(4)		3	3
Federal Home Loan Bank borrowings	(7)	(20)	(27)	36	(17)	19
Bank notes and senior debt	21	(66)	(45)	(22)	6	(16)
Subordinated debt	15	(130)	(115)	(91)	(45)	(136)
Commercial paper	(4)	(3)	(7)	14		14
Other	2	4	6	(13)	11	(2)
Total borrowed funds	(30)	(162)	(192)	127	(245)	(118)
Total interest-bearing liabilities	25	(259)	(234)	121	(521)	(400)
Change in net interest income	$ 461	$ (930)	$ (469)	$ 953	$ 27	$ 980

Changes attributable to rate/volume are prorated into rate and volume components.

Interest income includes the effects of taxable-equivalent adjustments using a statutory federal income tax rate of 35% to increase tax-exempt interest income to a taxable-equivalent basis. The taxable-equivalent adjustments to interest income for the years ended December 31, 2013, 2012 and 2011 were $168 million, $144 million and $104 million, respectively.

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TANGIBLE BOOK VALUE PER COMMON SHARE RATIO (NON-GAAP)

December 31 – dollars in millions, except per share data	2013	2012	2011	2010	2009
Book value per common share	$ 72.21	$ 67.05	$ 61.52	$ 56.29	$ 47.68
Tangible book value per common share					
Common shareholders' equity	$38,467	$35,413	$32,417	$29,596	$ 22,011
Goodwill and Other Intangible Assets (a)	(9,654)	(9,798)	(9,027)	(9,052)	(10,650)
Deferred tax liabilities on Goodwill and Other Intangible Assets (a)	333	354	431	461	738
Tangible common shareholders' equity	$29,146	$25,969	$23,821	$21,005	$ 12,099
Period-end common shares outstanding (in millions)	533	528	527	526	462
Tangible book value per common share (Non-GAAP) (b)	$ 54.68	$ 49.18	$ 45.20	$ 39.93	$ 26.19

(a) Excludes the impact from mortgage servicing rights of $1.6 billion, $1.1 billion, $1.1 billion, $1.7 billion and $2.3 billion at December 31, 2013, 2012, 2011, 2010 and 2009, respectively.
(b) We believe this non-GAAP financial measure serves as a useful tool to help evaluate the strength and discipline of a company's capital management strategies and as an additional conservative measure of total company value.

LOANS SUMMARY

December 31 – in millions	2013 (a)	2012 (a)	2011	2010	2009
Commercial lending					
Commercial	$ 88,378	$ 83,040	$ 65,694	$ 55,177	$ 54,818
Commercial real estate	21,191	18,655	16,204	17,934	23,131
Equipment lease financing	7,576	7,247	6,416	6,393	6,202
Total commercial lending	117,145	108,942	88,314	79,504	84,151
Consumer lending					
Home equity	36,447	35,920	33,089	34,226	35,947
Residential real estate	15,065	15,240	14,469	15,999	19,810
Credit card	4,425	4,303	3,976	3,920	2,569
Other consumer	22,531	21,451	19,166	16,946	15,066
Total consumer lending	78,468	76,914	70,700	71,091	73,392
Total loans	$195,613	$185,856	$159,014	$150,595	$157,543

(a) Includes the impact of the RBC Bank (USA) acquisition, which we acquired on March 2, 2012.

NONPERFORMING ASSETS AND RELATED INFORMATION

December 31 – dollars in millions	2013	2012	2011	2010	2009
Nonperforming loans					
Commercial	$ 457	$ 590	$ 899	$1,253	$1,806
Commercial real estate	518	807	1,345	1,835	2,140
Equipment lease financing	5	13	22	77	130
Total commercial lending	980	1,410	2,266	3,165	4,076
Consumer lending (a)					
Home equity (b) (c)	1,139	951	529	448	356
Residential real estate (b)	904	845	726	818	1,203
Credit card (d)	4	5	8		
Other consumer (b)	61	43	31	35	36
Total consumer lending (e)	2,108	1,844	1,294	1,301	1,595
Total nonperforming loans (f)	3,088	3,254	3,560	4,466	5,671
OREO and foreclosed assets					
Other real estate owned (OREO) (g)	360	507	561	589	484
Foreclosed and other assets	9	33	35	68	49
Total OREO and foreclosed assets	369	540	596	657	533
Total nonperforming assets	$3,457	$3,794	$4,156	$5,123	$6,204
Nonperforming loans to total loans	1.58%	1.75%	2.24%	2.97%	3.60%
Nonperforming assets to total loans, OREO and foreclosed assets	1.76	2.04	2.60	3.39	3.92
Nonperforming assets to total assets	1.08	1.24	1.53	1.94	2.30
Interest on nonperforming loans					
Computed on original terms	$ 163	$ 212	$ 278	$ 329	$ 302
Recognized prior to nonperforming status	30	30	47	53	90
Past due loans					
Accruing loans past due 90 days or more (h)	$1,491	$2,351	$2,973	$2,709	$2,698
As a percentage of total loans	.76%	1.26%	1.87%	1.80%	1.71%
Past due loans held for sale					
Accruing loans held for sale past due 90 days or more (i)	$ 4	$ 38	$ 49	$ 65	$ 72
As a percentage of total loans held for sale	.18%	1.03%	1.67%	1.86%	2.84%

(a) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.

(b) Pursuant to alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, nonperforming home equity loans increased $214 million, nonperforming residential mortgage loans increased $187 million and nonperforming other consumer loans increased $25 million. Charge-offs were taken on these loans where the fair value less costs to sell the collateral was less than the recorded investment of the loan and were $134 million.

(c) In the first quarter of 2012, we adopted a policy stating that Home equity loans past due 90 days or more would be placed on nonaccrual status. Prior policy required that these loans be past due 180 days before being placed on nonaccrual status.

(d) Effective in the second quarter 2011, the commercial nonaccrual policy was applied to certain small business credit card balances. This change resulted in loans being placed on nonaccrual status when they become 90 days or more past due. We continue to charge off these loans at 180 days past due.

(e) Pursuant to regulatory guidance, issued in the third quarter of 2012, nonperforming consumer loans, primarily home equity and residential mortgage, increased $288 million in 2012 related to changes in treatment of certain loans classified as TDRs, net of charge-offs, resulting from bankruptcy where no formal reaffirmation was provided by the borrower and therefore a concession has been granted based upon discharge from personal liability. Charge-offs have been taken where the fair value less costs to sell the collateral was less than the recorded investment of the loan and were $128.1 million.

(f) Includes TDRs of $1,511 million at December 31, 2013, $1,589 million at December 31, 2012, $1,141 million at December 31, 2011, $784 million at December 31, 2010 and $440 million at December 31, 2009, respectively. Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.

(g) OREO excludes $245 million, $380 million, $280 million, $178 million and $112 million at December 31, 2013, December 31, 2012, December 31, 2011, December 31, 2010 and December 31, 2009, respectively, related to residential real estate that was acquired by us upon foreclosure of serviced loans because they are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

(h) Amounts include certain government insured or guaranteed consumer loans totaling $995 million, $2,236 million, $2,474 million, $2,167 million and $1,814 million at December 31, 2013, December 31, 2012, December 31, 2011, December 31, 2010 and December 31, 2009, respectively. Past due loan amounts exclude purchased impaired loans as they are considered current loans due to the accretion of interest income.

(i) Amounts include certain government insured or guaranteed consumer loans held for sale totaling $4 million, zero, $15 million, $22 million and $27 million at December 31, 2013, December 31, 2012, December 31, 2011, December 31, 2010 and December 31, 2009, respectively.

SUMMARY OF LOAN LOSS EXPERIENCE

Year ended December 31 – dollars in millions	2013	2012	2011	2010	2009
Allowance for loan and lease losses – January 1	$ 4,036	$ 4,347	$ 4,887	$ 5,072	$ 3,917
Charge-offs					
Commercial	(395)	(474)	(700)	(1,227)	(1,276)
Commercial real estate	(203)	(314)	(464)	(670)	(510)
Equipment lease financing	(8)	(16)	(35)	(120)	(149)
Consumer (a)	(849)	(956)	(912)	(1,069)	(961)
Residential real estate	(133)	(110)	(153)	(406)	(259)
Total charge-offs	(1,588)	(1,870)	(2,264)	(3,492)	(3,155)
Recoveries					
Commercial	248	300	332	294	181
Commercial real estate	93	115	105	77	38
Equipment lease financing	16	30	50	56	27
Consumer (a)	150	137	127	110	105
Residential real estate	4	(1)	11	19	93
Total recoveries	511	581	625	556	444
Net charge-offs	(1,077)	(1,289)	(1,639)	(2,936)	(2,711)
Provision for credit losses	643	987	1,152	2,502	3,930
Net change in allowance for unfunded loan commitments and letters of credit	8	(10)	(52)	108	48
Acquired allowance – National City					(112)
Adoption of ASU 2009-17, *Consolidations*				141	
Other	(1)	1	(1)		
Allowance for loan and lease losses – December 31	$ 3,609	$ 4,036	$ 4,347	$ 4,887	$ 5,072
Allowance as a percent of December 31:					
Loans	1.84%	2.17%	2.73%	3.25%	3.22%
Nonperforming loans	117	124	122	109	89
As a percent of average loans					
Net charge-offs	.57	.73	1.08	1.91	1.64
Provision for credit losses	.34	.56	.76	1.63	2.37
Allowance for loan and lease losses	1.90	2.28	2.86	3.18	3.06
Allowance as a multiple of net charge-offs	3.35x	3.13x	2.65x	1.66x	1.87x

(a) Includes home equity, credit card and other consumer.

The following table presents the assignment of the allowance for loan and lease losses and the categories of loans as a percentage of total loans. Changes in the allocation over time reflect the changes in loan portfolio composition, risk profile and refinements to reserve methodologies.

ALLOCATION OF ALLOWANCE FOR LOAN AND LEASE LOSSES

December 31 Dollars in millions	2013		2012		2011		2010		2009	
	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
Commercial	$ 1,100	45.2%	$ 1,131	44.7%	$ 1,180	41.3%	$ 1,387	36.7%	$ 1,869	34.8%
Commercial real estate	400	10.8	589	10.0	753	10.2	1,086	11.9	1,305	14.7
Equipment lease financing	47	3.9	54	3.9	62	4.0	94	4.2	171	3.9
Consumer (a)	1,420	32.4	1,415	33.2	1,458	35.4	1,227	36.6	957	34.0
Residential real estate	642	7.7	847	8.2	894	9.1	1,093	10.6	770	12.6
Total	$ 3,609	100.0%	$ 4,036	100.0%	$ 4,347	100.0%	$ 4,887	100.0%	$ 5,072	100.0%

(a) Includes home equity, credit card and other consumer.

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SELECTED LOAN MATURITIES AND INTEREST SENSITIVITY

December 31, 2013 In millions	1 Year or Less	1 Through 5 Years	After 5 Years	Gross Loans
Commercial	$23,368	$53,434	$11,576	$ 88,378
Commercial real estate – Real estate projects	5,754	10,952	4,485	21,191
Total	$29,122	$64,386	$16,061	$109,569
Loans with:				
Predetermined rate	$ 2,978	$ 9,507	$ 8,695	$ 21,180
Floating or adjustable rate	26,144	54,879	7,366	88,389
Total	$29,122	$64,386	$16,061	$109,569

At December 31, 2013, we had no pay-fixed interest rate swaps designated to commercial loans as part of fair value hedge strategies. At December 31, 2013, $14.7 billion notional amount of receive-fixed interest rate swaps were designated as part of cash flow hedging strategies that converted the floating rate (1 month and 3 month LIBOR) on the underlying commercial loans to a fixed rate as part of risk management strategies.

TIME DEPOSITS OF $100,000 OR MORE

Time deposits in foreign offices totaled $2.5 billion at December 31, 2013, substantially all of which were in denominations of $100,000 or more.

The following table sets forth maturities of domestic time deposits of $100,000 or more:

December 31, 2013 – in millions	Domestic Certificates of Deposit
Three months or less	$ 1,529
Over three through six months	876
Over six through twelve months	1,660
Over twelve months	2,410
Total	$ 6,475

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
2013 Quarter				
First	$66.93	$58.96	$66.50	$ .40
Second	74.19	63.69	72.92	.44
Third	77.93	71.48	72.45	.44
Fourth	78.36	70.63	77.58	.44
Total				$ 1.72
2012 Quarter				
First	$64.79	$56.88	$64.49	$ .35
Second	67.89	55.60	61.11	.40
Third	67.04	56.76	63.10	.40
Fourth	65.73	53.36	58.31	.40
Total				$ 1.55

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A – CONTROLS AND PROCEDURES

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The PNC Financial Services Group, Inc. and subsidiaries (PNC) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rule 13a-15(f).

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We performed an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of PNC's internal control over financial reporting as of December 31, 2013. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that PNC maintained effective internal control over financial reporting as of December 31, 2013.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our consolidated financial statements as of and for the year ended December 31, 2013 included in this Report, has also audited the effectiveness of PNC's internal control over financial reporting as of December 31, 2013. The report of PricewaterhouseCoopers LLP is included under Item 8 of this Report.

DISCLOSURE CONTROLS AND PROCEDURES AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As of December 31, 2013, we performed an evaluation under the supervision and with the participation of our management, including the 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 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 December 31, 2013, and that there has been no change in PNC's internal control over financial reporting that occurred during the fourth quarter of 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain of the information regarding our directors (or nominees for director), executive officers and Audit Committee (and Audit Committee financial experts), required by this item is included under the captions "Election of Directors (Item 1)," and "Corporate Governance – Board committees – *Audit Committee*," and "Director and Executive Officer Relationships – Family relationships" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference.

Information regarding our compliance with Section 16(a) of the Securities Exchange Act of 1934 is included under the caption "Director and Executive Officer Relationships –Section 16(a) beneficial ownership reporting compliance" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference.

Additional information regarding our executive officers and our directors is included in Part I of this Report under the captions "Executive Officers of the Registrant" and "Directors of the Registrant."

Certain information regarding our PNC Code of Business Conduct and Ethics required by this item is included under the caption "Corporate Governance – Our code of ethics" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference. Our PNC Code of Business Conduct and Ethics is available on our corporate website at www.pnc.com/corporategovernance. In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to our directors or executive officers (including our principal executive officer, principal financial officer, and principal accounting officer or controller) will be posted at this internet address.

ITEM 11 – EXECUTIVE COMPENSATION

The information required by this item is included under the captions "Corporate Governance – Board committees –*Personnel and Compensation Committee* – Compensation committee interlocks and insider participation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation and Risk," "Compensation Tables," and "Change in Control and Termination of Employment" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference. In accordance with Item 407(e)(5) of Regulation S-K, the information set forth under the caption "Compensation Committee Report" in such Proxy Statement will be deemed to be furnished in this Report and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act as a result of furnishing the disclosure in this manner.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is included under the caption "Security Ownership of Directors and Executive Officers" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference.

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Information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2013 is included in the table which follows. Also included in the notes to the table is information regarding awards or portions of awards under our 2006 Incentive Award Plan that, by their terms, are payable only in cash. Additional information regarding these plans is included in Note 16 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Equity Compensation Plan Information
At December 31, 2013

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
1997 Long-Term Incentive Award Plan (Note 1)			1,945,317
Stock Options	1,752,183	$ 62.86	
2006 Incentive Award Plan (Note 2 and Note 3)			
Stock Options	8,571,349	$ 56.41	22,589,842
Incentive Performance Unit Awards (Note 4)	604,619	N/A	
Stock-Payable Restricted Stock Units (Note 5)	2,429,256	N/A	
1996 Executive Incentive Award Plan			
Incentive Awards		N/A	(Note 6)
Employee Stock Purchase Plan (Note 7)			1,177,560
Total approved by security holders	13,357,407		25,712,719
Equity compensation plans not approved by security holders (Note 8)			
Former National City Corporation Equity-Based Compensation Plans, including stock options	1,818,244	$ 662.28	
Former Sterling Financial Corporation Stock Option Plan	30,392	$ 76.99	
Total not approved by security holders	1,848,636		
Total	15,206,043		25,712,719

N/A – not applicable

Note 1 – After shareholder approval of the 2006 Incentive Award Plan at the 2006 annual meeting of PNC's shareholders on April 25, 2006 (see Note 2 below), no further grants were permitted under the 1997 Long-Term Incentive Award Plan, other than for the exercise of options still subject to a reload feature. As of December 31, 2013, the number of remaining shares reserved under this plan for that purpose was 1,945,317.

Note 2 – The 2006 Incentive Award Plan was adopted by the Board on February 15, 2006 and approved by the PNC shareholders at the 2006 annual meeting on April 25, 2006. The plan initially authorized up to 40,000,000 shares of common stock for issuance under the plan, subject to adjustment in certain circumstances. If and to the extent that stock options and stock appreciation rights ("SARs") granted under the plan, or granted under the prior plan and outstanding on the approval date of the plan, terminate, expire or are cancelled, forfeited, exchanged or surrendered after the effective date of the plan without being exercised or if any share awards, share units, dividend equivalents or other share-based awards are forfeited or terminated, or otherwise not paid in full, after the effective date of the plan, the shares subject to such grants become available again for purposes of the plan. Shares available for issuance under this plan are also reduced by the number of any shares used in payment of bonuses under the 1996 Executive Incentive Award Plan. During 2013, PNC paid a portion of annual bonuses under the 1996 Executive Incentive Award Plan for the 2012 performance year in the form of 53,270 shares of restricted stock. These shares were issued under the 1996 Executive Incentive Award Plan. PNC has, however, reduced the number of shares available for issuance under the 2006 Incentive Award Plan (as reflected in the number under column (c) for that plan) by this number.

The plan was most recently amended and restated incorporating amendments adopted by the Board and approved by PNC's shareholders at the 2011 annual meeting of shareholders, effective as of March 11, 2011. These amendments incorporate, among other things, an increase to the overall limit on the number of shares that may be awarded under the plan to 46,000,000, and a new requirement that each award of a share (other than pursuant to a stock option or

SAR) granted under the plan after that effective date will reduce the aggregate plan limit by 2.5 shares, while each award of a share pursuant to a stock option or SAR will reduce the aggregate plan limit by one share.

Note 3 – Under the 2006 Incentive Award Plan, awards or portions of awards that, by their terms, are payable only in cash do not reduce the number of shares that remain available for issuance under the plan (the number in column (c)). During 2013, a total of 505,343 cash-payable share units plus cash-payable dividend equivalents with respect to 391,520 of those share units were granted under the plan. This number includes an incremental change in the cash-payable portion of the 2011 and 2012 incentive performance unit award grants described in Note 4 below (net of forfeitures), a separate 2013 incentive performance unit award grant payable solely in cash, 2013 grants of share units (all of which include rights to cash dividend equivalents) payable solely in cash and fractional units payable solely in cash. Payments are subject to the conditions of the individual grants, including, where applicable, the achievement of any performance goals or service requirement established for such grants. The comparable amount for 2012 was 543,959 cash-payable share units plus cash-payable dividend equivalents with respect to 418,665 cash-payable restricted share units, and the comparable amount for 2011 was 560,544 cash-payable share units plus cash-payable dividend equivalents with respect to 505,866 cash-payable restricted share units.

Note 4 – These incentive performance unit awards provide for the issuance of shares of common stock (up to a target number of shares) based on the degree to which corporate performance goals established by the Personnel and Compensation Committee have been achieved, subject to potential negative adjustment based on certain risk-related performance metrics, and, if a premium level of such performance is achieved, for further payment in cash. The numbers in column (a) of this table for these awards reflect the maximum number of shares that could be issued pursuant to grants outstanding at December 31, 2013 upon achievement of the performance goals and other conditions of the grants. At the premium level of performance, a further maximum payout of cash equivalents for the same number of share units, plus the incremental change described in Note 3, could also be payable subject to the other conditions of the grants. Grants under the 2006 Incentive Award Plan were made in the first quarter of 2011, 2012 and 2013.

Note 5 – These stock-payable restricted stock units include 2011, 2012 and 2013 grants of performance-based restricted share units (with the units payable solely in stock and related dividend equivalents payable solely in cash) that have a service condition, an external and an internal risk-related performance condition and a market condition and also include grants of other stock-payable restricted share units, some of which are time-based, others which are performance-based and some of which also include related dividend equivalents payable solely in cash. The number in column (a) includes the maximum number of shares that could be issued pursuant to grants of this type of award outstanding at December 31, 2013 upon achievement of the performance and market conditions, where applicable, and other conditions of the grants. Cash-payable dividend equivalents were granted with respect to most of these stock-payable restricted stock units. Where stock-payable restricted share units include a fractional share interest, such fractional share interest is payable only in cash share equivalents. During 2013, a total of 33 cash share equivalents were paid in the aggregate for fractional share interests, including any for award grants described in Note 4.

Note 6 – The 1996 Executive Incentive Award Plan is a shareholder-approved plan that enables PNC to pay annual bonuses to its senior executive officers based upon the achievement of specified levels of performance. The plan as amended and restated as of January 1, 2007 was adopted by the Board on February 14, 2007 and approved by the PNC shareholders at the 2007 annual meeting on April 24, 2007. The plan does not specify a fixed share amount for awards under the plan. Rather, it provides for maximum bonus awards for a given period (generally a year) for each individual plan participant of 0.2% of incentive income for that period. Incentive income is based on PNC’s consolidated pre-tax net income as further adjusted for the impact of changes in tax law, extraordinary items, discontinued operations, acquisition and merger integration costs, and for the impact of PNC’s obligation to fund a portion of certain BlackRock long-term incentive programs. Although the size of awards under the plan is dollar-denominated, payment may be made in cash, in shares of PNC common stock, or in a combination of cash and stock.

During 2013, PNC paid a portion of annual bonuses under the plan for the 2012 performance year in the form of 53,270 shares of restricted stock. These shares were issued under the 1996 Executive Incentive Award Plan. PNC has, however, reduced the number of shares available for issuance under the 2006 Incentive Award Plan (as reflected in the number under column (c) for that plan) by this number.

Note 7 – The purchase price for shares of PNC common stock sold under the plan represents 95% of the fair market value on the last day of each six-month offering period.

Note 8 – The plans in this section of the table reflect awards under pre-acquisition plans of National City Corporation and Sterling Financial Corporation, respectively. National City was merged into PNC on December 31, 2008 and Sterling was merged into PNC on April 4, 2008. Pursuant to the respective merger agreements for these acquisitions, common shares of National City or Sterling, as the case may be, issuable upon the exercise or settlement of various equity awards granted under the National City or Sterling plans were converted into corresponding awards covering PNC common stock.

Additional information is included in Note 16 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report and in Note 16 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of our 2008 10-K.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is included under the captions "Director and Executive Officer Relationships –Director independence, – Transactions with directors, –Indemnification and advancement of costs, and – Related person transactions policies and procedures" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is included under the caption "Ratification of Independent Registered Public Accounting Firm (Item 2) – Audit and non-audit fees" in our Proxy Statement to be filed for the 2014 annual meeting of shareholders and is incorporated herein by reference.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements, Financial Statement Schedules

Our consolidated financial statements required in response to this Item are incorporated by reference from Item 8 of this Report.

Audited consolidated financial statements of BlackRock, Inc. as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 are filed with this Report as Exhibit 99.1 and incorporated herein by reference.

Exhibits

Our exhibits listed on the Exhibit Index on pages E-1 through E-8 of this Form 10-K are filed with this Report or are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The PNC Financial Services Group, Inc.
(Registrant)

By: /s/ Robert Q. Reilly
Robert Q. Reilly
Executive Vice President and Chief Financial Officer
February 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of The PNC Financial Services Group, Inc. and in the capacities indicated on February 28, 2014.

Signature	Capacities
/s/ William S. Demchak William S. Demchak	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Robert Q. Reilly Robert Q. Reilly	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Gregory H. Kozich Gregory H. Kozich	Senior Vice President and Controller (Principal Accounting Officer)
* Richard O. Berndt; Charles E. Bunch; Paul W. Chellgren; Andrew T. Feldstein; Kay Coles James; Richard B. Kelson; Bruce C. Lindsay; Anthony A. Massaro; Jane G. Pepper; James E. Rohr; Donald J. Shepard; Lorene K. Steffes; Dennis F. Strigl; Thomas J. Usher; George H. Walls, Jr.; and Helge H. Wehmeier	Directors

*By: /s/ Christi Davis
Christi Davis, Attorney-in-Fact,
pursuant to Powers of Attorney filed herewith

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EXHIBIT INDEX

Exhibit No.	Description	Method of Filing +
2.1	Stock Purchase Agreement, dated as of June 19, 2011, among the Corporation, RBC USA Holdco Corporation and Royal Bank of Canada (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K)	Incorporated herein by reference to Exhibit 2.1 of the Corporation's Current Report on Form 8-K filed June 20, 2011
3.1.1	Articles of Incorporation of the Corporation, as amended effective as of January 2, 2009	Incorporated herein by reference to Exhibit 3.1 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K)
3.1.2	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O dated July 21, 2011	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed July 27, 2011
3.1.3	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P dated April 19, 2012	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed April 24, 2012
3.1.4	Statement with Respect to Shares of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q dated September 14, 2012	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed September 21, 2012
3.1.5	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series R dated May 2, 2013	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed May 7, 2013
3.2	By-Laws of the Corporation, as amended and restated, effective as of August 15, 2013	Incorporated herein by reference to Exhibit 3.2 of the Corporation's Current Report on Form 8-K filed August 15, 2013
4.1	There are no instruments with respect to long-term debt of the Corporation and its subsidiaries that involve a total amount of securities authorized thereunder that exceed 10 percent of the total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to provide the SEC with a copy of instruments defining the rights of holders of long-term debt of the Corporation and its subsidiaries on request.	
4.2	Terms of $1.80 Cumulative Convertible Preferred Stock, Series B	Incorporated herein by reference to Exhibit 3.1 the Corporation's 2008 Form 10-K
4.3	Terms of 7.00% Non-Cumulative Preferred Stock, Series H	Incorporated herein by reference to Exhibit 3.1 the Corporation's 2008 Form 10-K
4.4	Terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I	Incorporated herein by reference to Exhibit 3.1 the Corporation's 2008 Form 10-K
4.5	Terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series J	Incorporated herein by reference to Exhibit 3.1 the Corporation's 2008 Form 10-K
4.6	Terms of Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series K	Incorporated herein by reference to Exhibit 3.1 the Corporation's 2008 Form 10-K
4.7	Terms of 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L	Incorporated herein by reference to Exhibit 3.1 the Corporation's 2008 Form 10-K
4.8	Terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed July 27, 2011

4.9	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P dated April 19, 2012	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed April 24, 2012
4.10	Statement with Respect to Shares of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q dated September 14, 2012	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed September 21, 2012
4.11	Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series R dated May 2, 2013	Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed May 7, 2013
4.12	Warrants for Purchase of Shares of PNC Common Stock	Incorporated herein by reference to Exhibit 4.2 (included as part of Exhibit 4.1) of the Corporation's Form 8-A filed April 30, 2010
4.13	Deposit Agreement dated May 21, 2008, between the Corporation, PNC Bank, National Association, and the holders from time to time of the Depositary Receipts described therein	Incorporated herein by reference to Exhibit 4.3 of the Corporation's Current Report on Form 8-K filed May 27, 2008
4.14	Deposit Agreement dated January 30, 2008 by and among National City Corporation, Wilmington Trust Company, National City Bank as Transfer Agent and Registrar, and all holders from time to time of Receipts issued pursuant thereto	Incorporated herein by reference to Exhibit 4.2 of the Form 8-A filed by National City Corporation (Commission File No. 001-10074) on January 30, 2008
4.15	Letter Agreement dated as of December 31, 2008 between the Corporation and Wilmington Trust Company	Incorporated herein by reference to Exhibit 4.4 of the Corporation's Form 8-A filed December 31, 2008
4.16	Deposit Agreement dated July 27, 2011, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series O preferred stock	Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed July 27, 2011
4.17	Deposit Agreement, dated April 24, 2012, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series P preferred stock	Incorporated herein \by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed April 24, 2012
4.18	Deposit Agreement, dated September 21, 2012, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series Q preferred stock	Incorporated by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed September 21, 2012
4.19	Deposit Agreement, dated May 7, 2013, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series R preferred stock	Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed May 7, 2013
4.20	Form of PNC Bank, National Association Global Bank Note for Fixed Rate Global Senior Bank Note issued prior to January 16, 2014 with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.9 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (3rd Quarter 2004 Form 10-Q)
4.21	Form of PNC Bank, National Association Global Bank Note for Floating Rate Global Senior Bank Note issued prior to January 16, 2014 with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.10 of the Corporation's 3rd Quarter 2004 Form 10-Q

4.22	Form of PNC Bank, National Association Global Bank Note for Fixed Rate Global Subordinated Bank Note issued prior to January 16, 2014 with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.11 of the Corporation's 3rd Quarter 2004 Form 10-Q
4.23	Form of PNC Bank, National Association Global Bank Note for Floating Rate Global Subordinated Bank Note issued prior to January 16, 2014 with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.12 of the Corporation's 3rd Quarter 2004 Form 10-Q
4.24	Form of PNC Bank, National Association Global Bank Note for Extendible Floating Rate Global Senior Bank Note issued prior to January 16, 2014 with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.1 of the Corporation's Current Report on Form 8-K filed June 21, 2012
4.25	Issuing and Paying Agency Agreement, dated January 16, 2014, between PNC Bank, National Association and PNC Bank, National Association, relating to the $25 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes	Filed herewith
4.26	Form of PNC Bank, National Association Global Bank Note for Fixed Rate Global Senior Bank Note issued after January 16, 2014 with Maturity of more than Nine Months from Date of Issuance (included in Exhibit 4.25)	Incorporated herein by reference to Exhibit 4.25 hereof
4.27	Form of PNC Bank, National Association Global Bank Note for Floating Rate Global Senior Bank Note issued after January 16, 2014 with Maturity of more than Nine Months from Date of Issuance (included in Exhibit 4.25)	Incorporated herein by reference to Exhibit 4.25 hereof
4.28	Form of PNC Bank, National Association Global Bank Note for Extendible Floating Rate Global Senior Bank Note issued after January 16, 2014 with Maturity of more than Nine Months from Date of Issuance	Filed herewith
4.29	Form of PNC Bank, National Association Global Bank Note for Fixed Rate Global Subordinated Bank Note issued after January 16, 2014 with Maturity of five years or more from Date of Issuance (included in Exhibit 4.25)	Incorporated herein by reference to Exhibit 4.25 hereof
4.30	Form of PNC Bank, National Association Global Bank Note for Floating Rate Global Subordinated Bank Note issued after January 16, 2014 with Maturity of five years or more from Date of Issuance (included in Exhibit 4.25)	Incorporated herein by reference to Exhibit 4.25 hereof
4.31	Exchange Agreement, dated as of March 29, 2007, by and among the Corporation, PNC Bank, National Association, and PNC Preferred Funding Trust II	Incorporated herein by reference to Exhibit 4.16 of the Corporation's Current Report on Form 8-K filed March 30, 2007
4.32	Exchange Agreement, dated as of February 19, 2008, by and among the Corporation, PNC Bank, National Association, and PNC Preferred Funding Trust III	Incorporated herein by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K filed February 19, 2008
10.1.1	The Corporation's Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.2 to the Corporation's 2008 Form 10-K*
10.1.2	Amendment 2009-1 to the Corporation's Supplemental Executive Retirement Plan as amended and restated as of January 1, 2009	Incorporated herein by reference to Exhibit 10.3 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K)*
10.1.3	Amendment 2013-1 to the Corporation's Supplemental Executive Retirement Plan as amended and restated as of January 1, 2009	Filed herewith*

10.2.1	The Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.4 to the Corporation's 2008 Form 10-K*
10.2.2	Amendment 2009-1 to the Corporation's ERISA Excess Plan as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.6 to the Corporation's 2009 Form 10-K*
10.2.3	Amendment 2011-1 to the Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.8 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K)*
10.2.4	Amendment 2013-1 to the Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009	Filed herewith*
10.3.1	The Corporation's Key Executive Equity Program, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.6 to the Corporation's 2008 Form 10-K*
10.3.2	Amendment 2009-1 to the Corporation's Key Executive Equity Program as amended and restated as of January 1, 2009	Incorporated herein by reference to Exhibit 10.9 to the Corporation's 2009 Form 10-K*
10.4.1	The Corporation's Supplemental Incentive Savings Plan, as amended and restated effective January 1, 2010	Incorporated herein by reference to Exhibit 10.17 of the Corporation's 2011 Form 10-K*
10.4.2	Amendment 2013-1 to the Corporation's Supplemental Incentive Savings Plan, as amended and restated effective January 1, 2010	Filed herewith*
10.5.1	The Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.62 to the Corporation's 2nd Quarter 2009 Form 10-Q*
10.5.2	Amendment 2009-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.17 to the Corporation's 2009 Form 10-K*
10.5.3	Amendment 2010-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.20 of the Corporation's 2010 Form 10-K*
10.5.4	Amendment 2011-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.23 of the Corporation's 2011 Form 10-K*
10.5.5	Amendment 2012-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.24 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K)*
10.5.6	Amendment 2013-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Filed herewith*
10.6.1	The Corporation and Affiliates Deferred Compensation and Incentive Plan, effective as of January 1, 2012	Incorporated herein by reference to Exhibit 4.4 of the Corporation's Registration Statement on Form S-8 No.333-177896 filed November 10, 2011*
10.6.2	Amendment 2013-1 to the Corporation and Affiliates Deferred Compensation and Incentive Plan, effective as of January 1, 2012	Filed herewith*
10.7.1	The Corporation's 2006 Incentive Award Plan, as amended and restated effective as of March 11, 2011	Incorporated herein by reference to Exhibit 10.70 of the Corporation's Quarterly Report on Form 1O-Q for the quarter ended March 31, 2011 (1st Quarter 2011 Form 10-Q)*
10.7.2	Addendum to the Corporation's 2006 Incentive Award Plan, effective as of January 26, 2012	Incorporated herein by reference to Exhibit 10.28 of the Corporation's 2011 Form 10-K*
10.8	The Corporation's 1997 Long-Term Incentive Award Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.5 of the Corporation's 2nd Quarter 2004 Form 10-Q*

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10.9	The Corporation's 1996 Executive Incentive Award Plan, as amended and restated effective as of January 1, 2007	Incorporated herein by reference to Exhibit 10.10 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2007 (2007 Form 10-K)*
10.10	The Corporation's Directors Deferred Compensation Plan, as amended and restated effective January 1, 2012	Incorporated herein by reference to Exhibit 10.32 of the Corporation's 2011 Form 10-K*
10.11	The Corporation's Outside Directors Deferred Stock Unit Plan, as amended and restated effective January 1, 2012	Incorporated herein by reference to Exhibit 10.34 of the Corporation's 2011 Form 10-K*
10.12	Amended and Restated Trust Agreement between PNC Investment Corp., as settlor, and Hershey Trust Company, as trustee	Incorporated herein by reference to Exhibit 10.35 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (3rd Quarter 2005 Form 10-Q)*
10.13	Trust Agreement between PNC Investment Corp., as settlor, and PNC Bank, National Association, as trustee	Incorporated herein by reference to Exhibit 10.34 of the Corporation's 3rd Quarter 2005 Form 10-Q*
10.14	Certificate of Corporate Action for Grantor Trusts effective January 1, 2012	Incorporated herein by reference to Exhibit 10.37 of the Corporation's 2011 Form 10-K*
10.15.1	The Corporation's Employee Stock Purchase Plan, as amended and restated as of January 1, 2009	Incorporated herein by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed by the Corporation on December 31, 2008
10.15.2	Amendment 2011-1 to the Corporation's Employee Stock Purchase Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.39 of the Corporation's 2011 Form 10-K
10.15.3	Amendment 2012-1 to the Corporation's Employee Stock Purchase Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.41 of the Corporation's 2012 Form 10-K
10.16	The Corporation's Employee Stock Purchase Plan, as amended and restated as of January 1, 2014	Filed herewith
10.17	2004 forms of employee stock option and restricted deferral agreements	Incorporated herein by reference to the employee stock option and restricted deferral agreements portions of Exhibit 10.30 of the Corporation's 3rd Quarter 2004 Form 10-Q*
10.18	2005 forms of employee stock option and restricted deferral agreements	Incorporated herein by reference to the employee stock option and restricted deferral agreements portions of Exhibit 10.28 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004 (2004 Form 10-K)*
10.19	2006 forms of employee stock option and restricted deferral agreements	Incorporated herein by reference to the employee stock option and restricted deferral agreements portions of Exhibit 10.17 of the Corporation's 2005 Form 10-K*
10.20	Forms of employee stock option agreements under 2006 Incentive Award Plan	Incorporated by reference to the employee stock option agreements portion of Exhibit 10.40 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006*
10.21	2006 forms of senior officer change in control severance agreements	Incorporated herein by reference to the senior officer change in control severance agreements portion of Exhibit 10.20 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 as filed on March 1, 2007 (2006 Form 10-K)*

10.22	2007 forms of employee stock option agreements	Incorporated herein by reference to the employee stock option agreements portion of Exhibit 10.21 of the Corporation's 2006 Form 10-K*
10.23	2008 forms of employee stock option and restricted share unit agreements	Incorporated herein by reference to the employee stock option and restricted share units agreements portions of Exhibit 10.26 of the Corporation's 2007 Form 10-K*
10.24	Form of employee stock option agreement with varied vesting schedule or circumstances	Incorporated herein by reference to Exhibit 10.50 of the Corporation's Current Report on Form 8-K filed April 18, 2008*
10.25	Form of employee restricted stock agreement with varied vesting schedule or circumstances	Incorporated herein by reference to Exhibit 10.51 of the Corporation's Current Report on Form 8-K filed April 18, 2008*
10.26	Form of employee stock option agreement with performance vesting schedule	Incorporated herein by reference to Exhibit 10.54 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008*
10.27	2009 forms of employee stock option, restricted stock and restricted share unit agreements	Incorporated by reference to the employee stock option, restricted stock and restricted share unit agreements portions of Exhibit 10.61 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009*
10.28	2010 forms of employee stock option, restricted stock, and restricted share unit agreements	Incorporated herein by reference to Exhibit 10.48 to the Corporation's 2009 Form 10-K*
10.29	2011 forms of employee stock option, restricted stock, restricted share unit and performance unit agreements	Incorporated herein by reference to Exhibit 10.71 of the Corporation's 1st Quarter 2011 Form 10-Q*
10.30	2012 forms of employee stock option, restricted stock and restricted share unit agreements	Incorporated herein by reference to Exhibit 10.77 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (1st Quarter 2012 Form 10-Q)*
10.31	Forms of employee stock option, restricted stock and restricted share unit agreements with varied vesting, payment and other circumstances	Incorporated herein by reference to Exhibit 10.78 of the Corporation's 1st Quarter 2012 Form 10-Q*
10.32	Additional 2012 forms of employee performance unit, restricted stock and restricted share unit agreements	Incorporated herein by reference to Exhibit 10.79 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 (2nd Quarter 2012 Form 10-Q)*
10.33	2013 forms of employee stock option and restricted share unit agreements	Incorporated herein by reference to Exhibit 10.64 of the Corporation's 2012 Form 10-K*
10.34	Additional 2013 forms of employee stock option, performance unit, restricted stock and restricted share unit agreements	Incorporated herein by reference to Exhibit 10.82 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013*
10.35	Additional 2013 forms of employee restricted share unit agreements	Incorporated by reference to Exhibit 10.83 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013*
10.36	Additional 2013 and 2014 forms of employee restricted share unit and performance unit agreements	Filed herewith*
10.37	Forms of director stock option agreements	Incorporated herein by reference to the director stock option agreements portion of Exhibit 10.32 of the Corporation's 3rd Quarter 2004 Form 10-Q*

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10.38	2005 form of director stock option agreement	Incorporated herein by reference to Exhibit 10.33 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005*
10.39	Form of time sharing agreements between the Corporation and certain executives	Incorporated herein by reference to Exhibit 10.39 to the Corporation's 2008 Form 10-K*
10.40	Form of change of control employment agreements	Incorporated herein by reference to Exhibit 10.72 of the Corporation's 1st Quarter 2011 Form 10-Q*
10.41.1	The National City Corporation 2004 Deferred Compensation Plan, as amended and restated effective January 1, 2005	Incorporated herein by reference to Exhibit 10.35 to National City Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006
10.41.2	Amendment to The National City Corporation 2004 Deferred Compensation Plan, as amended and restated effective January 1, 2005	Incorporated herein by reference to Exhibit 10.56 of the Corporation's 2010 Form 10-K
10.42.1	Share Surrender Agreement, dated October 10, 2002, among Old BlackRock, PNC Asset Management, Inc., and the Corporation	Incorporated herein by reference to the Quarterly Report on Form 10-Q of BlackRock Holdco 2, Inc. (Commission File No. 001-15305) (referred to herein as Old BlackRock) for the quarter ended September 30, 2002 (Old BlackRock 3rd Quarter 2002 Form 10-Q)
10.42.2	First Amendment, dated as of February 15, 2006, to the Share Surrender Agreement among Old BlackRock, PNC Bancorp, Inc. and the Corporation	Incorporated herein by reference to the Current Report on Form 8-K of Old BlackRock (Commission File No. 001-15305) filed February 22, 2006 (Old BlackRock February 22, 2006 Form 8-K)
10.42.3	Second Amendment to Share Surrender Agreement made and entered into as of June 11, 2007 by and between the Corporation, BlackRock, Inc., and PNC Bancorp, Inc.	Incorporated herein by reference to Exhibit 10.50 of the Corporation's Current Report on Form 8-K filed June 14, 2007
10.42.4	Third Amendment to Share Surrender Agreement, dated as of February 27, 2009, between the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.3 of BlackRock, Inc.'s Current Report on Form 8-K filed February 27, 2009
10.42.5	Fourth Amendment to Share Surrender Agreement, dated as of August 7, 2012, among BlackRock, Inc., the Corporation and PNC Bancorp, Inc.	Incorporated herein by reference to Exhibit 10.1 of BlackRock, Inc.'s Form 10-Q for the quarter ended June 30, 2012
10.43.1	Amended and Restated Implementation and Stockholder Agreement, dated as of February 27, 2009, between the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.2 of BlackRock, Inc.'s Current Report on Form 8-K filed February 27, 2009
10.43.2	Amendment No. 1, dated as of June 11, 2009, to the Amended and Restated Implementation and Stockholder Agreement between the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.2 of BlackRock, Inc.'s Current Report on Form 8-K filed June 17, 2009
10.44	Exchange Agreement dated as of May 21, 2012 by and among PNC Bancorp, Inc., the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.3 of BlackRock, Inc.'s Current Report on Form 8-K filed May 23, 2012
10.45	PNC Bank, National Association US $20,000,000,000 Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes with Maturities of more than Nine Months from Date of Issue Distribution Agreement dated July 30, 2004	Incorporated herein by reference to Exhibit 10.29 of the Corporation's 3rd Quarter 2004 Form 10-Q
10.46	Distribution Agreement, dated January 16, 2014, between PNC Bank, National Association and the Dealers named therein, relating to the $25 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes	Incorporated herein by reference to Exhibit 4.25 hereof

10.47	Stock Purchase Agreement, dated as of June 19, 2011, among the corporation, RBC USA Holdco Corporation and Royal Bank of Canada (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K)	Incorporated herein by reference to Exhibit 2.1 of the Corporation's Current Report on Form 8-K filed June 20, 2011
10.48	Stock Purchase Agreement, dated as of February 1, 2010, by and between the Corporation and The Bank of New York Mellon Corporation	Incorporated herein by reference to Exhibit 2.1 to the Corporation's Current Report on Form 8-K filed February 3, 2010
12.1	Computation of Ratio of Earnings to Fixed Charges	Filed herewith
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends	Filed herewith
21	Schedule of Certain Subsidiaries of the Corporation	Filed herewith
23.1	Consent of PricewaterhouseCoopers LLP, the Corporation's Independent Registered Public Accounting Firm	Filed herewith
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm of BlackRock, Inc.	Filed herewith
24	Powers of Attorney	Filed herewith
31.1	Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith
99.1	Audited consolidated financial statements of BlackRock, Inc. as of December 31, 2013 and 2012 and for each of the three years ended December 31, 2013	Filed herewith
99.2	Consent order between The PNC Financial Services Group, Inc. and the Board of Governors of the Federal Reserve System	Incorporated herein by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K filed April 14, 2011
99.3	Consent order between PNC Bank, National Association and the Office of the Comptroller of the Currency	Incorporated herein by reference to Exhibit 99.2 of the Corporation's Current Report on Form 8-K filed April 14, 2011
101	Interactive Data File (XBRL)	Filed herewith

\+ Incorporated document references to filings by the Corporation are to SEC File No. 001-09718, to filings by National City Corporation are to SEC File No. 001-10074, to filings by BlackRock through its second quarter 2006 Form 10-Q (referred to herein as Old BlackRock) are to BlackRock Holdco 2, Inc. SEC File No. 001-15305, and to filings by BlackRock, Inc. are to SEC File No. 001-33099.

* Denotes management contract or compensatory plan.

You can obtain copies of these Exhibits electronically at the SEC's website at www.sec.gov or by mail from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The Exhibits are also available as part of this Form 10-K on PNC's corporate website at www.pnc.com/secfilings. Shareholders and bondholders may also obtain 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.

EXHIBIT 4.25

PNC BANK, NATIONAL ASSOCIATION
ISSUING AND PAYING AGENCY AGREEMENT

THIS AGREEMENT, dated as of January 16, 2014, between PNC Bank, National Association, a national banking association chartered under the laws of the United States, as Issuer (the "Bank"), and PNC Bank, National Association, as issuing and paying agent (the "Issuing and Paying Agent," which term shall also refer to any duly appointed successor thereto) for the benefit of the named parties herein and for the benefit of the holders (the "Holders") of the Bank Notes (as defined below) as described in that certain Offering Circular dated January 16, 2014, as amended or supplemented (the "Offering Circular").

WITNESSETH:

SECTION 1. Appointment of Issuing and Paying Agent. The Bank proposes to issue from time to time, pursuant to the Distribution Agreement, dated January 16, 2014 (the "Distribution Agreement"), between the Bank and the dealers named therein (the "Dealers") its Bank Notes (each, a "Bank Note" and collectively, the "Bank Notes") in such amounts as may be duly authorized by the Bank.

Each Bank Note will be issued in book-entry form and will be represented by a global certificate (each, a "Global Bank Note" and collectively, the "Global Bank Notes") registered in the name of Cede & Co. or another nominee of The Depository Trust Company, as depositary ("DTC," which term includes any successor thereof, which successor shall be a clearing agency registered under the Securities Exchange Act of 1934, as amended, if so required by applicable law) (each beneficial interest in a Global Bank Note, a "Book-Entry Bank Note" and collectively, the "Book-Entry Bank Notes").

The Bank hereby appoints the Issuing and Paying Agent to act, on the terms and conditions specified herein, as issuing and paying agent for the Global Bank Notes and as registrar, transfer agent and authenticating agent for the Global Bank Notes and to perform such other responsibilities as are described herein and in the Administrative Procedures attached as Exhibit A hereto, as such Administrative Procedures may be amended from time to time, and the Issuing and Paying Agent hereby accepts such appointments. For the avoidance of doubt, the procedures outlined in the Administrative Procedures are intended only as guidelines and may be modified, amended or supplemented in writing with respect to any particular issue of Bank Notes as agreed among the Bank, the relevant Dealer(s) and the Issuing and Paying Agent, as the context requires. Nothing in the Administrative Procedures shall be construed to vary, alter, modify, amend or supersede any provision of or obligation contained in this Agreement, the Distribution Agreement, the Bank Notes, the Offering Circular or any pricing supplement to the Offering Circular (each, a "Pricing Supplement").

The aggregate principal amount of the Global Bank Notes which may be issued and outstanding under this Agreement at any one time is $25,000,000,000; provided, that such maximum aggregate principal amount may be increased at any time pursuant to a resolution duly adopted by the board of directors of the Bank, which resolution shall be promptly provided to the Issuing and Paying Agent.

The Issuing and Paying Agent shall exercise due care in the performance of its obligations hereunder and shall perform such obligations in a manner consistent with industry standards.

SECTION 2. Global Bank Note Forms; Terms; Execution.

(i) The Global Bank Notes shall be substantially (i) in the form set forth in Exhibit B-1 hereto if such Global Bank Note is a Senior Bank Note (each, a "Senior Bank Note" and collectively, the "Senior Bank Notes") and bears interest at a fixed rate of interest (each such Global Bank Note, a "Fixed Rate Global Senior Bank Note" and collectively, the "Fixed Rate Global Senior Bank Notes"), (ii) in the form of Exhibit B-2 hereto if such Global Bank Note is a Senior Bank Note and bears interest at a floating rate of interest determined by reference to an interest rate basis specified therein (each such Global Bank Note, a "Floating Rate Global Senior Bank Note" and collectively, the "Floating Rate Global Senior Bank Notes"), (iii) in the form of Exhibit B-3 hereto if such Global Bank Note is a Subordinated Bank Note (each, a "Subordinated Bank Note" and collectively, the "Subordinated Bank Notes") and bears interest at a fixed rate of interest (each such Global Bank Note, a "Fixed Rate Global Subordinated Bank Note" and collectively, the "Fixed Rate Global Subordinated Bank Notes"), (iv) in the form of Exhibit B-4 hereto if such Global Bank Note is a Subordinated Bank Note and bears interest at a floating rate of interest determined by reference to an interest rate basis specified therein (each such Global Bank Note, a "Floating Rate Global Subordinated Bank Note" and collectively, the "Floating Rate Global Subordinated Bank Notes"), or (v) in such other form as the Bank may from time to time designate.

(ii) Each Senior Bank Note issued by the Bank shall have a maturity of more than nine months from its original date of issuance and each Subordinated Bank Note shall have a maturity of more than five years from its original date of issue. The Bank Notes shall be issued in minimum denominations of $250,000 and in integral multiples of $1,000 in excess thereof.

The interest rate borne by any particular Global Bank Note may vary from the interest rates borne by any other Global Bank Notes. Any such variation shall not affect the interest rate borne by any other Global Bank Notes previously issued hereunder.

Each Series of Bank Notes shall have such terms as set forth in the respective Global Bank Note and the Offering Circular, as amended or supplemented with respect to the applicable Bank Notes. As used herein, "Series" means all Bank Notes that have the same stated maturity date, interest rates and interest payment dates, if any (all as indicated in the applicable Pricing Supplement), and the terms of which, except for the original date of issue and/or the issue price, are otherwise identical, including whether the Bank Notes are listed on a particular stock exchange.

(iii) The Bank will from time to time deliver or cause to be delivered to the Issuing and Paying Agent a supply of blank Global Bank Notes in such quantities as the Bank shall determine, bearing consecutive control numbers. Each Global Bank Note will have been executed by the manual or facsimile signature of an Authorized Representative (as defined in Section 3 hereof) of the Bank. The Issuing and Paying Agent will acknowledge receipt of the Global Bank Notes delivered to it and will hold such blank Global Bank Notes in safekeeping in accordance with its customary practice and shall complete, authenticate and deliver such Global Bank Notes in accordance with the provisions hereof.

SECTION 3. Authorized Representatives. From time to time, the Bank will furnish the Issuing and Paying Agent with a certificate executed by an officer of the Bank certifying the incumbency and specimen signatures of those officers of the Bank authorized to execute Global Bank Notes on behalf of the Bank by manual or facsimile signature and to give instructions and notices on behalf of the Bank hereunder (the "Authorized Representatives"). Until the Issuing and Paying Agent receives a subsequent certificate, the Issuing and Paying Agent shall be entitled to rely on the last such certificate delivered to it for the purposes of determining the identities of Authorized Representatives of the Bank. Any Global Bank Note bearing the manual or facsimile signatures of persons who are Authorized Representatives of the Bank on the date such signatures are affixed shall bind the Bank after the completion, authentication and delivery thereof by the Issuing and Paying Agent, notwithstanding that such persons shall have ceased to hold office on the date such Global Bank Note is so completed, authenticated and delivered by the Issuing and Paying Agent.

SECTION 4. Issuance Instructions; Completion, Authentication and Delivery of Global Bank Notes

(i) All instructions regarding the completion, authentication and delivery of Global Bank Notes shall be given by an Authorized Representative of the Bank by telephone (confirmed in writing), by facsimile transmission, by electronic mail communication or by other acceptable written means by such Authorized Representative.

(ii) Upon receipt of the instructions described above, the Issuing and Paying Agent shall cause to be withdrawn the necessary and applicable Global Bank Notes from safekeeping and, in accordance with such instructions, shall:

(a) complete each Global Bank Note;

(b) record each Global Bank Note in the Bank Note Register (as defined in Section 10 hereof);

(c) cause each Global Bank Note to be manually authenticated by any one of the signatories of the Issuing and Paying Agent duly authorized and designated by it for such purpose; and

(d) hold each Global Bank Note in trust and safekeeping for and on behalf of the registered Holder thereof;

provided that instructions regarding the completion and authentication of a Global Bank Note, whether delivered by facsimile transmission, electronic mail communication or by other written means, are received by the Issuing and Paying Agent by 11:00 A.M., Pittsburgh time, on the Business Day immediately preceding the date of settlement relating to such Global Bank Note (or 9:00 A.M., Pittsburgh time, on the date of settlement relating to such Bank Note if the trade date and the date of settlement relating to such Bank Note are the same day). As used in this Agreement, the term "Business Day" shall mean, unless otherwise specified in the applicable Global Bank Note, any day that is not a Saturday or Sunday and that is not a day on which banking institutions in The City of New York or in Pittsburgh, Pennsylvania are authorized or required by law, regulation or executive order to close, and with respect to LIBOR Notes (as defined in the applicable Floating Rate Global Bank Note) only, any day that is also a London Banking Day. As used in this Agreement, "London Banking Day" means, unless otherwise specified in the applicable Global Bank Note, any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

SECTION 5. Reliance on Instructions; Request for Instructions. The Issuing and Paying Agent shall incur no liability to the Bank in acting hereunder upon instructions contemplated hereby which the Issuing and Paying Agent reasonably believed in good faith to have been given by an Authorized Representative of the Bank. In the event a discrepancy exists between the instructions as originally received by the Issuing and Paying Agent and any subsequent written confirmation thereof, such original instructions will be deemed controlling; provided that the Issuing and Paying Agent gives notice to the Bank of such discrepancy promptly upon the receipt of such written confirmation.

Any application by the Issuing and Paying Agent for written instructions from the Bank may, at the option of the Issuing and Paying Agent, set forth in writing any action proposed to be taken or omitted by the Issuing and Paying Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Issuing and Paying Agent shall not be liable for any action taken by, or omission of, the Issuing and Paying Agent in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer of the Bank actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Issuing and Paying Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

SECTION 6. The Bank's Representations and Warranties. Each instruction given to the Issuing and Paying Agent in accordance with Section 4 hereof shall constitute a representation and warranty to the Issuing and Paying Agent by the Bank that the issuance and delivery of the Global Bank Notes have been duly and validly authorized by the Bank and that the Global Bank Notes, when completed and authenticated pursuant hereto, will constitute the valid and legally binding obligations of the Bank subject to applicable receivership, conservatorship, bankruptcy, liquidation, insolvency, reorganization, moratorium and similar laws of general applicability relating to, or affecting, creditors' rights generally or the rights of creditors of depository institutions, the accounts of which are insured by the Federal Deposit Insurance Corporation and to general equity principles. The Bank further warrants that it is free to enter into this Agreement and to perform the terms hereof.

SECTION 7. Payments of Interest; Interest Payment Dates; Record Dates. Interest payments on Global Bank Notes with maturities of greater than one year will be made: (i) in the case of the Fixed Rate Global Senior Bank Notes and Fixed Rate Global Subordinated Bank Notes (collectively, the "Fixed Rate Global Bank Notes"), semi-annually on the dates set forth in the applicable Pricing Supplement and (ii) in the case of Floating Rate Global Senior Bank Notes and Floating Rate Global Subordinated Bank Notes (collectively, the "Floating Rate Global Bank Notes"), on such dates as are specified therein (collectively, the "Interest Payment Dates") and, in each case, at maturity or upon earlier redemption or repayment if so indicated in the applicable Global Bank Note. All such interest payments (other than interest due at maturity or upon earlier redemption or repayment) will be made to the Holders (as defined in the preamble hereto) in whose names Global Bank Notes are registered at the close of business on the fifteenth calendar day (unless otherwise specified in the applicable Global Bank Notes) (whether or not a Business Day) immediately preceding such Interest Payment Dates (a "Record Date"). Notwithstanding the foregoing, if the Original Issue Date of any Global Bank Note with a maturity of greater than one year occurs between a Record Date and the next succeeding Interest Payment Date, the first payment of interest on any such Global Bank Note will be made on the second Interest Payment Date succeeding the Original Issue Date (as defined in the Global Bank Notes). Interest payments will be calculated and made in the manner provided in the applicable Global Bank Note.

If the Bank does not deposit adequate funds pursuant to Section 9 hereof with respect to the interest due on a Global Bank Note with a maturity of greater than one year on an Interest Payment Date, such interest will cease to be due to the Holder of such Global Bank Note as of the close of business on the Record Date relating to such Interest Payment Date and will be paid to the Holder of such Global Bank Note as of the close of business on a special record date to be fixed by the Issuing and Paying Agent when funds for the payment of such interest have been deposited pursuant to Section 9 hereof. Notice of such special record date shall be given by the Issuing and Paying Agent, at the Bank's expense, to the registered Holder of such Global Bank Note not less than 10 calendar days prior to such special record date.

Interest payments on Global Bank Notes with maturities of one year or less will be made only upon maturity upon presentation and surrender of the applicable note (unless otherwise specified in the applicable note). Interest payments on Global Bank Notes with maturities of one year or less will be calculated in the manner provided in the applicable Global Bank Note.

SECTION 8. Payment of Principal. The Issuing and Paying Agent will pay the Holder of each Global Bank Note the principal amount of each such Global Bank Note, together with accrued interest and premium, if any, at maturity or upon earlier redemption or repayment.

SECTION 9. Deposit of Funds. The total amount of any principal of, premium, if any, and interest due on Global Bank Notes on any Interest Payment Date or any maturity date or date of redemption or repayment shall be paid by the Bank to the Issuing and Paying Agent as of 11:00 A.M., Pittsburgh time, in funds available for use by the Issuing and Paying Agent on such date. The Bank will make such payment on such Global Bank Notes via Fedwire to an account specified by the Issuing and Paying Agent. Upon receipt of funds from the Bank, on such date or as soon as possible thereafter, the Issuing and Paying Agent will pay by separate wire transfer (using Fedwire message entry instructions in a form previously specified by DTC) to an account at the Federal Reserve Bank of New York previously specified by DTC, in funds available for immediate use by DTC, each payment of principal of, premium, if any, and interest due on a Global Bank Note on such date.

The Issuing and Paying Agent shall hold such amounts paid to it by the Bank in trust for the Holders but shall, pending payment by it to the account at the Federal Reserve Bank of New York specified above, not be under any liability for interest on monies at any time received by it pursuant to any of the terms of this Agreement or of the Global Bank Notes, nor shall the Issuing and Paying Agent be required to invest such monies.

SECTION 10. Bank Note Register; Registration, Transfer, Exchange; Persons Deemed Owners

(i) The Issuing and Paying Agent shall maintain at its offices the Bank Note Register. The Issuing and Paying Agent is hereby appointed as Registrar for the purpose of registering Global Bank Notes and transfers of Global Bank Notes as herein provided. The term "Bank Note Register" shall mean the definitive record in which shall be recorded the names, addresses and taxpayer identifying numbers of the Holders, the serial and CUSIP numbers (or ISIN numbers and/or such other codes as indicated in the applicable Global Bank Notes or Pricing Supplement, as the case may be) of the Global Bank Notes and the Original Issue Dates thereof and details with respect to the transfer and exchange of Global Bank Notes.

(ii) Upon surrender for registration of transfer of any Global Bank Note at the offices of the Issuing and Paying Agent, the Bank shall execute, and the Issuing and Paying Agent shall complete, authenticate and deliver, in the name of the designated transferee or transferees, one or more new Global Bank Notes, of any authorized denominations and having identical terms and provisions and for an equal aggregate principal amount.

(iii) At the option of the Holder of a Global Bank Note, such Global Bank Note may be exchanged for other Global Bank Notes of any authorized denominations of an equal aggregate principal amount and having identical terms and provisions, upon surrender of the Global Bank Notes to be exchanged at the designated offices of the Issuing and Paying Agent. Whenever any Global Bank Notes are so surrendered for exchange, the Bank shall execute, and the Issuing and Paying Agent shall complete, authenticate and deliver, the Global Bank Notes which the Holder of the Global Bank Note making the exchange is entitled to receive. Except as provided below, owners of beneficial interests in a Global Bank Note representing Book-Entry Bank Notes will not be entitled to have such Book-Entry Bank Notes registered in their names, will not receive or be entitled to receive physical delivery of Bank Notes in certificated form and will not be considered the owners or Holders thereof under this Agreement. However, if DTC notifies the Bank that it is unwilling or unable to continue as depositary or if at any time DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by the Bank within 90 days, or the Bank in its sole discretion determines not to have Book-Entry Bank Notes represented by one or more Global Bank Notes, then Global Bank Notes representing Book-Entry Bank Notes may be exchanged in whole for definitive Bank Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof, upon surrender of the Global Bank Notes to be exchanged at the offices of the Issuing and Paying Agent.

(iv) Notwithstanding the foregoing, the Issuing and Paying Agent shall not register the transfer of or exchange (i) any Global Bank Note that has been called for redemption in whole or in part, except the unredeemed portion of Global Bank Notes being redeemed in part, (ii) any Global Bank Note during the period beginning at the opening of business 15 days before the mailing of a notice of such redemption and ending at the close of business on the day of such mailing, or (iii) any Global Bank Note in violation of the legend contained on the face of such Global Bank Note.

(v) All Global Bank Notes issued upon any registration of transfer or exchange of Global Bank Notes shall be the valid obligations of the Bank, evidencing the same debt, and entitled to the same benefits as the Global Bank Notes surrendered upon such registration of transfer or exchange.

(vi) Every Global Bank Note presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer with such evidence of due authorization and guaranty of signature as may reasonably be required by the Issuing and Paying Agent, in form satisfactory to the Issuing and Paying Agent, duly executed by the Holder thereof or his attorney duly authorized in writing.

(vii) No service charge shall be made to a Holder of Global Bank Notes for any transfer or exchange of Global Bank Notes, but the Bank may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(viii) The Bank and the Issuing and Paying Agent, and any agent of the Bank or the Issuing and Paying Agent may treat the Holder in whose name a Global Bank Note is registered as the owner of such Global Bank Note for all purposes, whether or not such Global Bank Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

SECTION 11. <u>Mutilated, Destroyed, Lost, or Stolen Global Bank Notes</u> In case any Global Bank Note shall at any time become mutilated, destroyed, lost or stolen, and such Global Bank Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent (together with indemnity hereinafter referred to and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent) shall be delivered to the Issuing and Paying Agent, the Bank shall execute a new Global Bank Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Global Bank Note or in lieu of the Global Bank Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Global Bank Note, only upon receipt of evidence satisfactory to the Issuing and Paying Agent and the Bank that such Global Bank Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to each of them. The Issuing and Paying Agent shall authenticate any such substituted Global Bank Note and deliver the same upon the written request or authorization of any Authorized Representative of the Bank. Upon the issuance of any substituted Global Bank Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation, authentication and delivery of a new Global Bank Note. If any Global Bank Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Global Bank Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Global Bank Note) upon compliance by the Holder with the provisions of this Section.

SECTION 12. Cancellation. All Global Bank Notes surrendered for payment, registration of transfer or exchange shall, if surrendered to any person other than the Issuing and Paying Agent, be delivered to the Issuing and Paying Agent and shall be promptly cancelled by it. The Bank may at any time deliver to the Issuing and Paying Agent for cancellation any Global Bank Notes previously authenticated and delivered hereunder which the Bank may have acquired in any manner whatsoever, and all Global Bank Notes so delivered shall be promptly cancelled by the Issuing and Paying Agent. No Global Bank Note shall be authenticated in lieu of or in exchange for any Global Bank Note cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Global Bank Notes held by the Issuing and Paying Agent shall be returned to the Bank.

SECTION 13. Redemption of Global Bank Notes.

(i) Unless otherwise specified in the applicable Global Bank Note, if any Global Bank Notes are to be redeemed prior to maturity, the Bank shall notify the Issuing and Paying Agent not more than 60 nor less than 45 calendar days prior to the date fixed by the Bank for such redemption (the "Redemption Date") of the Bank's election to redeem such Global Bank Notes in whole or in part in increments of $1,000 (provided that the remaining principal amount of any such Global Bank Note and each related Book-Entry Bank Note shall be at least $250,000).

(ii) Whenever less than all the Global Bank Notes at any time outstanding are to be redeemed, the terms of the Global Bank Notes to be so redeemed shall be selected by the Bank. If less than all the Global Bank Notes with identical terms at any time outstanding are to be redeemed, the Global Bank Notes to be so redeemed shall be selected by the Issuing and Paying Agent pro rata by lot or in any usual manner approved by it or required by DTC. The Issuing and Paying Agent shall promptly notify the Bank in writing of the Global Bank Notes selected for redemption and, in the case of Global Bank Notes selected for partial redemption, the principal amount thereof to be redeemed.

(iii) Unless otherwise specified in the applicable Global Bank Note, notice of redemption shall be given by the Issuing and Paying Agent, at the Bank's expense, by first-class mail, postage prepaid, mailed not more than 60 nor less than 30 calendar days prior to the Redemption Date, to each Holder of such Global Bank Note to be redeemed, at its address appearing in the Bank Note Register. All notices of redemption shall identify the Global Bank Notes to be redeemed (including CUSIP number) and shall state: (i) the Redemption Date; (ii) the redemption price, which shall be determined in accordance with the terms of the Global Bank Note (the "Redemption Price"), (iii) if less than all of the Global Bank Notes at any time outstanding are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Global Bank Notes to be redeemed; (iv) that on the Redemption Date the Redemption Price plus accrued interest, if any, to the Redemption Date will become due and payable with respect to each Global Bank Note to be redeemed and that interest thereon will cease to accrue on and after said date; and (v) the place or places where such Global Bank Notes are to be surrendered for payment.

(iv) Notice of redemption having been given as described above, the Global Bank Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price, and from and after such date such Global Bank Notes shall cease to bear interest. The Bank shall deposit funds with the Issuing and Paying Agent prior to the Redemption Date which are sufficient to redeem such Global Bank Notes which are scheduled to be so redeemed. Upon surrender of any such Global Bank Notes for redemption in accordance with such notice, the Issuing and Paying Agent shall pay such Global Bank Notes at the Redemption Price, together with unpaid interest accrued on such Global Bank Notes at the applicable rate borne by such Global Bank Notes to the Redemption Date.

(v) Any Global Bank Note which is to be redeemed only in part shall be surrendered to the Issuing and Paying Agent, and the Issuing and Paying Agent shall complete, authenticate and deliver to the Holder of such Global Bank Note, without service charge, a new Global Bank Note or Global Bank Notes, of any authorized denomination as requested by such Holder (which shall be $250,000 or an integral multiple of $1,000 in excess thereof), in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Global Bank Note so surrendered.

(vi) The Bank, in issuing the Global Bank Notes, may use "CUSIP" numbers (if then generally in use) and, if so, the Issuing and Paying Agent shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Global Bank Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Global Bank Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

(vii) To the extent then required under applicable law, regulations or regulatory guidelines (including, without limitation, the applicable capital regulations and guidelines of the Office of the Comptroller of the Currency (the "OCC")), the Subordinated Bank Notes may not be redeemed, in whole or in part, prior to maturity at the option of the Bank, unless it has obtained the prior approval of the Office OCC.

SECTION 14. Repayment of Global Bank Notes

(i) Unless otherwise specified in the applicable Bank Note, in order for any Global Bank Note to be repaid in whole or in part at the option of the Holder thereof (if such optional repayment is applicable to such Bank Notes), such Global Bank Note must be delivered by the Holder thereof, with the form entitled "Option to Elect Repayment" (set forth in such Global Bank Note) duly completed, to the Issuing and Paying Agent at its offices located at the address set forth in Section 21 hereof, or such other place or places of which the Bank shall from time to time notify the Holders of the Global Bank Notes, not more than 60 nor less than 30 calendar days prior to any date fixed for such repayment of such Global Bank Notes (the "Optional Repayment Date").

(ii) Unless otherwise specified in the applicable Bank Note, upon surrender of any Global Bank Note for repayment in accordance with the provisions set forth above, the Global Bank Note to be repaid shall, on the Optional Repayment Date, become due and payable, and the Issuing and Paying Agent shall pay such Global Bank Note on the Optional Repayment Date at a price equal to 100% of the principal amount thereof, together with accrued interest to the Optional Repayment Date.

(iii) If less than the entire principal amount of any Global Bank Note is to be repaid, the Holder thereof shall specify the portion thereof (which shall be in increments of $1,000) which such Holder elects to have repaid and shall surrender such Global Bank Note to the Issuing and Paying Agent, and the Issuing and Paying Agent shall complete, authenticate and deliver to the Holder of such Global Bank Note, without service charge, a new Global Bank Note or Global Bank Notes in an aggregate principal amount equal to and in exchange for the unrepaid portion of the principal of the Global Bank Note so surrendered and in such denominations as shall be specified by such Holder (which shall be $250,000 or an integral multiple of $1,000 in excess thereof).

(iv) To the extent then required under applicable law, regulations or regulatory guidelines (including, without limitation, the applicable capital regulations and guidelines of the OCC), any Subordinated Notes which are repayable at the option of the Holder thereof, in whole or in part, prior to maturity will not be repayable without the prior approval of the OCC.

SECTION 15. Acceleration of Maturity. If an Event of Default (as defined in the applicable Global Bank Note) with respect to a Senior Bank Note or Subordinated Bank Note, as the case may be, issued by the Bank shall occur and be continuing, then the Holder of the applicable Senior Bank Note or Subordinated Bank Note may declare the principal amount of, and accrued interest and premium, if any, on such Senior Bank Note or Subordinated Bank Note due and payable by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. The Bank shall promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent shall promptly mail by first-class mail, postage prepaid, copies of such notice to the Holders of the Senior Bank Notes or the Subordinated Bank Notes, as the case may be, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default. Any Event of Default with respect to a Bank Note may be waived by the Holder thereof. Notwithstanding the foregoing, payment of principal on the Subordinated Bank Notes may be accelerated only in the case of insolvency or liquidation of the Bank or similar proceeding as specified in the applicable Bank Note and no repayment pursuant to an acceleration of maturity may be made on the Subordinated Notes without the prior written approval of any bank supervisory authority having jurisdiction over the Bank and requiring such approval.

SECTION 16. Application of Funds; Return of Unclaimed Funds. Any monies paid by the Bank and held by the Issuing and Paying Agent in trust for payment of principal of, premium, if any, or interest on, any Global Bank Notes that remain unclaimed for two years following the date on which such principal, premium or interest shall have become due and payable shall be returned to the Bank by the Issuing and Paying Agent and the Issuing and Paying Agent shall inform the Bank as to the specific Global Bank Notes to which such monies related, and any Holder shall thereafter look, as an unsecured general creditor, only to the Bank for the payment thereof and all liability of the Issuing and Paying Agent with respect to such trust monies shall thereupon cease. Any funds deposited by the Bank with the Issuing and

Paying Agent for the payment of principal of, premium, if any, or interest on, any Bank Note shall be held in trust on behalf of the Bank by the Issuing and Paying Agent for the payment of principal of, premium, if any, or interest on, any Bank Note until paid or returned to the Bank.

SECTION 17. Cancellation of Unissued Notes. Upon the written request of the Bank, the Issuing and Paying Agent promptly shall cancel and return to the Bank all unissued Bank Notes in its possession.

SECTION 18. Liability. Neither the Issuing and Paying Agent nor its directors, officers, employees or agents shall be liable to the Bank for any act or omission hereunder except in the case of gross negligence or willful misconduct. The duties and obligations of the Issuing and Paying Agent, its directors, officers and employees shall be determined by the express provisions of this Agreement and no implied covenants shall be read into this Agreement against any of them. Neither the Issuing and Paying Agent nor any of its directors, officers or employees shall be required to ascertain whether any issuance or sale of Bank Notes (or any amendment or termination of this Agreement) has been duly authorized (provided that the Issuing and Paying Agent in good faith has determined that the facsimile or manual signature of the Authorized Representative or any person who has been designated by the Authorized Representative in writing to the Issuing and Paying Agent reasonably resembles the specimen signatures filed with the Issuing and Paying Agent) or is in compliance with any other agreement to which the Bank is a party (whether or not the Issuing and Paying Agent is also a party to such other agreement), and the Issuing and Paying Agent and each of its officers and employees shall be entitled to rely upon any instructions reasonably believed (in accordance with Section 3 hereof) by the Issuing and Paying Agent and its officers and employees to be given on behalf of the Bank by an Authorized Representative or by any person who has been designated by an Authorized Representative in writing to the Issuing and Paying Agent as a person authorized to give such instructions hereunder, whether or not in fact given by the Authorized Representative or such designated person. In no event shall the Issuing and Paying Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Issuing and Paying Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Issuing and Paying Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Issuing and Paying Agent shall not be responsible for any misconduct or gross negligence on the part of any agent or attorney appointed with due care by it hereunder. The Issuing and Paying Agent may consult with counsel of its selection and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Issuing and Paying Agent shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement.

SECTION 19. Indemnification, Risk of Funds. The Bank shall indemnify and hold harmless the Issuing and Paying Agent, its directors, officers, employees and agents from and against all actions, claims, losses, damages, liabilities, costs and expenses (including reasonable legal fees and expenses) relating to or arising out of their actions or inactions taken or omitted to be taken by the Issuing and Paying Agent in good faith in connection with its performance under this Agreement including, but not limited to, any actions taken or omitted upon instructions by the Bank (in accordance with Section 3) or the issuance, delivery, payment or non-payment of any Bank Note or interest thereon, or other receipt of other funds for the payment of the Bank Notes or interest or premium thereon; *provided*, *however*, that the Issuing and Paying Agent shall be liable for, and shall not be entitled to be indemnified or held harmless from, any actions, claims, losses, damages, liabilities, costs and expenses (including reasonable legal fees and expenses) to the extent caused by the gross negligence, bad faith or willful misconduct of its directors, officers, employees or agents. This indemnity shall survive the termination of this Agreement.

No provision of this Agreement shall require the Issuing and Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 20. Compensation of the Issuing and Paying Agent. The Bank agrees to pay the compensation of the Issuing and Paying Agent, at such rates as shall be mutually agreed upon in writing between the Bank and the Issuing and Paying Agent from time to time. The Bank shall reimburse upon demand the Issuing and Paying Agent for all reasonable out-of-pocket expenses (including reasonable legal fees and expenses), disbursements and advances incurred or made by the Issuing and Paying Agent with respect to the Bank in accordance with any provisions of this Agreement, except any such expense, disbursement or advance proven to be attributable to the breach of this Agreement or the gross negligence, bad faith or willful misconduct of the Issuing and Paying Agent, upon receipt of such invoices as the Bank may reasonably require. The provisions of this Section 20 shall survive the termination of this Agreement.

SECTION 21. Notices.

(i) All communications by or on behalf of the Bank relating to the issuance, transfer, exchange or payment of Bank Notes or interest thereon shall be directed to the offices of the Issuing and Paying Agent located at 116 Allegheny Center Mall P8-YB35-02-8, Pittsburgh, Pennsylvania 15122, Attention: Securities Settlement, or to such other offices as the Issuing and Paying Agent shall specify in writing to the Bank. The Bank will send all Global Bank Notes to be completed and delivered by the Issuing and Paying Agent to such offices or such other offices as the Issuing and Paying Agent shall specify in writing to the Bank.

(ii) All other notices and communications hereunder shall be in writing and shall be addressed as follows:

(a) If to the Bank:

PNC Bank, National Association
Three PNC Plaza
225 Fifth Avenue
6th Floor
Pittsburgh, Pennsylvania 15222
Attention: Lisa Kovac, SVP & Funding Manager
Telephone: 412-762-8400
Fax: 412-762-1728
Email: lisa.kovac@pnc.com

(b) If to the Issuing and Paying Agent:

PNC Bank, National Association
116 Allegheny Center Mall
P8-YB35-02-8
Pittsburgh, Pennsylvania 15212
Attention: Security Settlements

SECTION 22. Resignation or Removal of Issuing and Paying Agent and Appointment of Successor Issuing and Paying Agent; Merger, Conversion and Consolidation The Bank agrees, for the benefit of the Holders from time to time of the Bank Notes, that there shall at all times be an Issuing and Paying Agent hereunder which shall be the Bank or a bank or trust company organized and doing business under the laws of the United States or any state thereof authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to supervision and examination by federal or state authority, until all the Global Bank Notes authenticated and delivered hereunder (A) shall have been delivered to the Issuing and Paying Agent for cancellation or (B) shall have become due and payable and funds sufficient to pay the principal of, premium, if any, and interest on, the Global Bank Notes shall have been made available for payment and either paid or returned to the Bank, whichever event occurs earlier. The foregoing capital and surplus requirements shall not be applicable if an affiliate of the Bank is appointed as successor Issuing and Paying Agent.

The Issuing and Paying Agent may resign at any time as such agent upon written notice to the Bank of such intention on its part, specifying the date on which its desired resignation shall become effective; *provided*, *however*, that, if the Issuing and Paying Agent is other than the Bank or its affiliate, such date shall be not less than 90 days after the giving of such notice by the Issuing and Paying Agent to the Bank. The Issuing and Paying Agent may be removed at any time as such agent by the filing with it of an instrument in writing signed by a duly authorized officer of the Bank and specifying such removal and the date, which shall be at least 30 days following receipt of such written notice, upon which it is intended to become effective. Any such resignation or removal shall take effect on the date of the appointment by the Bank of a successor agent and the acceptance of such appointment by such successor Issuing and Paying Agent that qualifies as such under the first paragraph of this Section. In the event of the resignation or removal of the Issuing and Paying Agent, if a successor agent has not been appointed by the Bank within 90 days after the giving of notice of resignation or within 30 days after receipt of notice of removal, the Issuing and Paying Agent may, at the expense of the Bank, petition any court of competent jurisdiction for appointment of a successor Issuing and Paying Agent. Upon any such resignation or removal, the Issuing and Paying Agent shall transfer to the successor Issuing and Paying Agent (or, if none shall have been appointed, to the Bank) all monies held by the Issuing and Paying Agent on behalf of the Bank in respect of any Global Bank Notes, any unissued Global Bank Notes and all books and records or copies thereof related to Global Bank Notes maintained by the Issuing and Paying Agent, including a copy of the Bank Note Register. Any resignation or removal hereunder shall not affect the Issuing and Paying Agent's rights to the payment of fees earned or charges incurred through the effective date of such resignation or removal.

Any corporation or bank into which the Issuing and Paying Agent hereunder may be merged or converted, or any corporation or bank with which the Issuing and Paying Agent may be consolidated, or any corporation or bank resulting from any merger, conversion or consolidation to which the Issuing and Paying Agent shall be a party, or any corporation or bank to which the Issuing and Paying Agent shall sell or otherwise transfer all or substantially all of the corporate trust assets and business of the Issuing and Paying Agent, provided that it shall be qualified under the first paragraph of this Section, shall be the successor Issuing and Paying Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 23. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, Holders of Bank Notes, and their successors and assigns, and nothing herein, express or implied, shall give to any other persons any benefits or any legal or equitable right, remedy or claim under or by virtue of this Agreement. No party hereto may assign any of its rights or obligations hereunder except with the prior written consent of all the parties hereto.

SECTION 24. Bank Notes Held by the Issuing and Paying Agent. The Issuing and Paying Agent, in its individual or other capacity, may become the owner or pledgee of the Bank Notes with the same rights it would have if it were not acting as an issuing and paying agent hereunder.

SECTION 25. Amendment. The Bank Notes may be amended, modified or supplemented by the Bank and this Agreement may be amended, modified or supplemented by the Bank and the Issuing and Paying Agent, (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein or herein, (b) to make any further modifications of the terms of this Agreement necessary or desirable to allow for the issuance of any additional Bank Notes (which modifications shall not be materially adverse to Holders of Bank Notes that are then outstanding); (c) to conform any provision of the Bank Notes to the description thereof contained in the Offering Circular and/or the Pricing Supplement related to the offering of such Bank Notes, or (d) in any manner that the Bank and, in the case of this Agreement, the Issuing and Paying Agent may deem necessary or desirable and which the Bank determines, as evidenced by an opinion of counsel delivered to the Issuing and Paying Agent, will not materially adversely affect the interests of the Holders of the then outstanding Bank Notes, to all of which each Holder of Bank Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the Holders of at least 66-2/3%

of the principal amount of the Bank Notes to be affected thereby, the Bank and the Issuing and Paying Agent may from time to time and at any time enter into agreements modifying, amending or supplementing in any other respect this Agreement or the provisions of the applicable Bank Notes for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of this Agreement or of modifying in any manner the rights of the Holders of such Bank Notes; *provided*, *however*, that no such modification, amendment or supplement may, without the consent of the Holder of each Bank Note then outstanding and affected thereby, (i) change the stated maturity date with respect to any Bank Note or reduce or cancel the amount payable at maturity, (ii) reduce the amount payable or modify the payment date for any interest with respect to any Bank Note or vary the method of calculating the rate of interest with respect to any Bank Note, (iii) reduce any minimum interest rate and/or maximum interest rate (as such terms are defined in the Offering Circular, any applicable Global Bank Note or any Pricing Supplement) with respect to any Bank Note, (iv) modify the currency in which payments under any Bank Note appertaining thereto are to be made, (v) reduce the percentage in principal amount of outstanding Bank Notes the consent of the Holders of which is necessary to modify or amend this Agreement, or (vi) materially modify the redemption provisions relating to the redemption price or redemption date with respect to any Bank Notes. Any instrument given by or on behalf of any Holder of a Bank Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Bank Note. Any modifications, amendments or waivers to this Agreement or the provisions of the Bank Notes will be conclusive and binding on all Holders of Bank Notes, whether or not notation of such modifications, amendments or waivers is made upon the Bank Notes. It will not be necessary for the consent of the Holders of Bank Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. Bank Notes authenticated and delivered after the execution of any modification, amendment or supplement to this Agreement may bear a notation as to any matter provided for in that modification, amendment or supplement. New Bank Notes modified as to conform, in the opinion of the Bank and that of the Issuing and Paying Agent, as applicable, to any modification contained in any amendment may be prepared by the Bank, authenticated by the Issuing and Paying Agent, and delivered in exchange for the Bank Notes then outstanding. If the Bank and the Issuing and Paying Agent effect any modification, amendment or supplement to the provisions of any particular Bank Note, the Bank will have no obligation to make a similar modification, amendment or supplement to any other Bank Note, irrespective of the Series to which the other Bank Note may belong. Neither the Bank nor any affiliate of the Bank may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Agreement or any Bank Notes unless such consideration is offered to all Holders whose bank Notes would be subject to such consent, waiver or amendment and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

SECTION 26. Governing Law. This Agreement shall be governed by, construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania applicable to agreements made and to be performed in such Commonwealth, without regard to conflicts of laws principles.

SECTION 27. Counterparts. This Agreement may be executed by the parties hereto in any number of counterparts, and by each of the parties hereto in separate counterparts, and each such counterpart, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 28. Information Requirements. The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act) all financial institutions are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Agreement agree that they will provide to the Issuing and Paying Agent such information as it may request, from time to time, in order for the Issuing and Paying Agent to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow them to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, all as of the day and year first above written.

PNC BANK, NATIONAL ASSOCIATION,
as the Bank

By: /s/ Lisa M. Kovac
Name: Lisa M. Kovac
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as the Issuing and Paying Agent

By: /s/ Randall C. King
Name: Randall C. King
Title: Executive Vice President

Exhibit A-1

(Administrative Procedures)

ADMINISTRATIVE PROCEDURES
FOR FIXED RATE AND FLOATING RATE
SENIOR AND SUBORDINATED BANK NOTES
With maturities of more than nine months from date of issuance
(Dated as of January 16, 2014)

Senior Bank Notes (the "Senior Notes") and Subordinated Bank Notes (the "Subordinated Notes," and together with the Senior Notes, the "Notes") are to be offered from time to time for sale by PNC Bank, National Association, a banking association chartered under the laws of the United States, through each of Citigroup Global Markets Inc., Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Jefferies LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, PNC Capital Markets LLC, Sandler O'Neill & Partners, L.P., U.S. Bancorp Investments, Inc. and Wells Fargo Securities, LLC who, as dealers (each, a "Dealer" and, collectively, the "Dealers"), will purchase the Notes as principal from the Issuing Bank for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by the applicable Dealer or, if so specified in the applicable Disclosure Package (as defined in the Distribution Agreement) or Pricing Supplement, for resale at a fixed public offering price. If agreed to by the Issuing Bank and the applicable Dealer, such Dealer may utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes at 100% of the principal amount thereof. Only those provisions in these Administrative Procedures that are applicable to the particular role that a Dealer will perform shall apply.

The Notes are being sold pursuant to a distribution agreement (the "Distribution Agreement"), dated January 16, 2014, between the Issuing Bank and the Dealers. The Distribution Agreement provides both for the sale of Notes by the Issuing Bank to the Dealers as principal for resale to investors and other purchasers and for the sale of Notes by the Issuing Bank through the Dealers as agents and not as principal, in which case the Dealers will act as agents of the Issuing Bank in soliciting Note purchases. The Notes will be issued pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement"), dated as of January 16, 2014, between the Issuing Bank, as issuer, and PNC Bank, National Association, as issuing and paying agent (the "Issuing and Paying Agent"). As used herein, the term "Offering Circular" refers to the most recent offering circular, as such document may be amended or supplemented, which has been prepared by the Issuing Bank for use by the Dealers in connection with the offering of the Notes. For the avoidance of doubt, the procedures outlined in these Administrative Procedures are intended only as guidelines and may be modified, amended or supplemented in writing with respect to any particular issue of Notes as agreed among the Issuing Bank, the relevant Dealer(s) and the Issuing and Paying Agent, as the context requires. Nothing in these Administrative Procedures shall be construed to vary, alter, modify, amend or supersede any provision of or obligation contained in the Issuing and Paying Agency Agreement, the Distribution Agreement, the Bank Notes, the Offering Circular or any pricing supplement to the Offering Circular.

The Notes will be issued in book-entry form (each beneficial interest in a global Note, a "Book-Entry Note" and collectively, the "Book-Entry Notes") and represented by one or more fully registered global Notes (each, a "Global Note" and collectively, the "Global Notes") delivered to the Issuing and Paying Agent, as agent for The Depository Trust Company, as depositary ("DTC," which term includes any successor thereof), and recorded in the book-entry system maintained by DTC. Book-Entry Notes represented by a Global Note are exchangeable for definitive Notes in registered form, of like tenor and of an equal aggregate principal amount, by the owners of such Book-Entry Notes only upon certain limited circumstances described in the Offering Circular and the applicable Global Note.

In connection with the qualification of Book-Entry Notes for eligibility in the book-entry system maintained by DTC, the Issuing and Paying Agent will perform the custodial, document control and administrative functions described below, in accordance with its respective obligations under the Letters of Representations from the Issuing Bank and the Issuing and Paying Agent to DTC, dated January 16, 2014 and a Certificate Agreement, dated August 19, 1996, as amended on January 16, 2014, between the Issuing and Paying Agent and DTC (the "Certificate Agreement"), and its obligations as a participant in DTC, including DTC's Same-Day Funds Settlement System ("SDFS").

Capitalized terms used herein that are not otherwise defined shall have the meanings ascribed thereto in the Notes.

Date of Issuance/Authentication:	Each Note will be dated as of the date of its authentication by the Issuing and Paying Agent. Each Note shall also bear an original issue date (the "Original Issue Date"), which shall be the settlement date for such Note. The Original Issue Date shall remain the same for all Notes subsequently issued upon transfer, exchange or substitution of an original Note regardless of their dates of authentication.
Maturities:	Each Senior Note will mature on a date (the "Maturity Date") selected by the purchaser and agreed to by the Issuing Bank which is more than nine months from its Original Issue Date and each Subordinated Note will have a Maturity Date selected by the purchaser and agreed to by the Issuing Bank which is five years or more from its Original Issue Date.
Registration:	Notes will be issued only in fully registered form.
Calculation of Interest:	Unless otherwise specified therein and in the applicable Disclosure Package or Pricing Supplement, interest (including payments for partial periods) on Fixed Rate Notes having maturities of greater than one year will be computed and paid semi-annually on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified therein and in the applicable Disclosure Package or

	Pricing Supplement, interest on Fixed Rate Notes having maturities of one year or less will be computed on the basis of the actual number of days in the year divided by 360 and will be payable only at maturity. Unless otherwise specified therein and in the applicable Pricing Supplement, interest on Floating Rate Notes will be calculated and paid on the basis of the actual number of days in the year divided by 360 in the case of LIBOR Notes and Federal Funds Rate Notes.
Redemption/Repayment:	The Notes will be subject to redemption by the Issuing Bank on and after their respective Initial Redemption Dates, if any; provided, however, that unless otherwise specified in the applicable Disclosure Package or Pricing Supplement and in the applicable Bank Note, Subordinated Notes may not be redeemed by the Issuing Bank prior to their Maturity Date without the prior written approval of the Office of the Comptroller of the Currency (the "OCC"). Initial Redemption Dates, if any, will be fixed at the time of sale and set forth in the applicable Disclosure Package or Pricing Supplement and in the applicable Note. If no Initial Redemption Dates are indicated with respect to a Note, such Note will not be redeemable prior to its Maturity Date.
	The Notes will be subject to repayment at the option of the holders thereof in accordance with the terms of the Notes on their respective Holder's Optional Repayment Dates, if any; provided, however, that unless otherwise specified in the applicable Disclosure Package or Pricing Supplement and in the applicable Bank Note, Subordinated Notes which are subject to repayment may not be repaid at the option of the holder, in whole or in part, prior to their Maturity Date without the prior written approval of the OCC. Holder's Optional Repayment Dates, if any, will be fixed at the time of sale and set forth in the applicable Disclosure Package or Pricing Supplement and in the applicable Note, and in the case of a Subordinated Note, will not be earlier than five years after the Original Issue Date of such Subordinated Note. If no Holder's Optional Repayment Dates are indicated with respect to a Note, such Note will not be repayable at the option of the holder prior to its Maturity Date.

Acceptance and Rejection of Offers:	When the Dealer is soliciting offers to purchase the Notes, the Issuing Bank shall have the sole right to accept offers to purchase Notes and may reject any such offer, in whole or in part. Each Dealer shall promptly communicate to the Issuing Bank, orally, each offer to purchase Notes solicited by such Dealer on an agency basis, other than those offers rejected by the Dealer. Each Dealer shall have the right, without notice to the Issuing Bank, to reject any proposed purchase of Notes through it, in whole or in part.
Preparation of Disclosure Package and Pricing Supplement:	If any offer to purchase a Note is accepted by the Issuing Bank, the Issuing Bank, with the approval of the Dealer which presented such offer (the "Presenting Dealer"), will prepare (i) a Disclosure Package and (ii) a Pricing Supplement reflecting the terms of such Note.
Procedure for Changing Rates or Other Variable Terms:	When the Dealers are soliciting offers to purchase the Notes from the Issuing Bank and a decision has been reached to change the interest rate or any other variable term on any Notes being sold by the Issuing Bank, the Issuing Bank will promptly advise the Dealers and the Dealers will forthwith suspend solicitation of offers to purchase such Notes. The Dealers will telephone the Issuing Bank with recommendations as to the changed interest rates or other variable terms. At such time as the Issuing Bank advises the Dealers of the new interest rates or other variable terms, the Dealers may resume solicitation of offers to purchase such Notes. Until such time, only "indications of interest" may be recorded. Immediately after acceptance by the Issuing Bank of an offer to purchase at a new interest rate or new variable term, the Issuing Bank and the Presenting Dealer shall follow the procedures set forth under the applicable "Settlement Procedures."

Suspension of Solicitation; Amendment or Supplement:	While the Dealers are soliciting offers to purchase Notes from the Issuing Bank, the Issuing Bank may instruct the Dealers to suspend solicitation of offers to purchase Notes at any time. Upon receipt of such instructions, the Dealers will forthwith suspend solicitation of offers to purchase Notes from the Issuing Bank until such time as the Issuing Bank has advised them that solicitation of offers to purchase may be resumed. Subject to the provisions of the Distribution Agreement, if the Issuing Bank decides to amend the Offering Circular or the Disclosure Package (excluding incorporating any documents by reference therein) or supplement any of such documents (other than to change rates or other variable terms), it will immediately notify, with confirmation in writing to follow, the Dealers and will furnish the Dealers and their counsel with copies of the proposed amendment or supplement; provided, however, that the Issuing Bank shall be required to provide such notice and copies only to the extent that it is required to do so pursuant to the terms of the Distribution Agreement. In the event that at the time the solicitation of offers to purchase Notes from the Issuing Bank is suspended (other than to change interest rates, maturities, prices or other similar variable terms with respect to the Notes) there shall be any offers to purchase Notes that have been accepted by the Issuing Bank which have not been settled, the Issuing Bank will promptly advise the Dealers whether such offers may be settled and whether copies of the Offering Circular or the Disclosure Package, as theretofore amended and/or supplemented, as in effect at the time of such suspension may be delivered in connection with the settlement of such orders. The Issuing Bank will have the sole responsibility for such decision and for any arrangements which may be made in the event that the Issuing Bank determines that such orders may not be settled or that copies of such Offering Circular or the Disclosure Package may not be so delivered.
Delivery of Disclosure Package/Offering Circular:	A copy of the most recent Offering Circular and Pricing Supplement or the Disclosure Package must accompany or precede the earlier of (a) the written confirmation of a sale sent to a customer or its agent

	and (b) the delivery of Notes to a customer or its agent. The Issuing Bank will provide Offering Circulars or Disclosure Packages to the Dealers and the Dealers will forward Offering Circulars or Disclosure Packages to their customers or their customers' agents.
Authenticity of Signatures:	The Dealers will have no obligations or liability to the Issuing Bank or the Issuing and Paying Agent in respect of the authenticity of the signature of any officer, employee or agent of the Issuing Bank or the Issuing and Paying Agent on any Note.
Documents Incorporated by Reference:	The Issuing Bank shall supply the Dealers with copies of all documents incorporated by reference in the Offering Circular or the Disclosure Package, as may reasonably be requested by Dealer.
Business Day:	"Business Day" means, unless specified in the applicable Note, any day that is not a Saturday or Sunday and that in The City of New York or in Pittsburgh, Pennsylvania is not a day on which banking institutions are authorized or required by law, regulation or executive order to close, and with respect to Notes as to which LIBOR is an applicable Interest Rate Basis (as defined below), is also a London Banking Day. "London Banking Day," unless otherwise specified in the applicable Note, means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.
Issuance:	All Fixed Rate Notes of the Issuing Bank issued in book-entry form having the same Original Issue Date, Interest Rate, Interest Payment Dates, Regular Record Dates, Default Rate, Maturity Date, redemption and/or repayment terms, if any, original issue discount terms, if any, and otherwise having identical terms and provisions (collectively, the "Fixed Rate Terms") will be represented initially by a single Global Note in fully registered form; and all Floating Rate Notes of the Issuing Bank issued in book-entry form having the same Original Issue Date, interest rate basis upon which interest may be determined (each, an "Interest Rate Basis"), which may be LIBOR, the Federal Funds Rate or any other rate set forth by the Issuing Bank in a Floating Rate Note,

	Initial Interest Rate, Index Maturity, Spread and/or Spread Multiplier, if any, Regular Record Dates, Maximum Interest Rate, if any, Minimum Interest Rate, if any, Interest Payment Dates, Interest Payment Period, Interest Reset Dates, Interest Reset Period, LIBOR page, if any, Calculation Agent, Default Rate, Maturity Date, redemption or repayment terms, if any, original issue discount terms, if any, and otherwise having identical terms and provisions, (collectively, the "Floating Rate Terms") will be represented initially by a single Global Note.
Identification:	The Issuing Bank has arranged with the CUSIP Service Bureau operated by Standard & Poor's for the American Bankers Association (the "CUSIP Service Bureau") for the reservation of CUSIP numbers assignable to Senior Notes with maturities of more than nine months and CUSIP numbers assignable to Subordinated Notes (if the Issuing Bank is so authorized to issue Subordinated Notes), consisting of CUSIP numbers which have been reserved for and relating to Global Notes, and the Issuing Bank has delivered to DTC such list of such CUSIP numbers. The Issuing and Paying Agent will assign CUSIP numbers to Global Notes as described below under Settlement Procedure C. DTC will notify the CUSIP Service Bureau periodically of the CUSIP numbers that the Issuing and Paying Agent has assigned to the Global Notes. The Issuing and Paying Agent will notify the Issuing Bank at any time when fewer than 100 of the reserved CUSIP numbers of any series remain unassigned to Global Notes and, if it deems it necessary, the Issuing Bank will reserve additional CUSIP numbers of such series for assignment to Global Notes. Upon obtaining such additional CUSIP numbers, the Issuing Bank will deliver a list of such additional numbers to the Issuing and Paying Agent and DTC. Book-Entry Notes having an aggregate principal amount in excess of $500,000,000 (or any other then-applicable DTC limit on the maximum aggregate principal amount of a single note) and otherwise required to be represented by the same Global Note will instead be represented by two or more Global Notes which shall all be assigned the same CUSIP number.

Registration:	Unless otherwise specified by DTC, each Global Note will be registered in the name of Cede & Co., as nominee for DTC, on the register maintained by the Issuing and Paying Agent. The owner of a Book-Entry Note (i.e., an owner of a beneficial interest in a Global Note) (or one or more indirect participants in DTC designated by such owner) will designate one or more participants in DTC (with respect to such Book-Entry Note, the "Participants") to act as agent for such beneficial owner in connection with the book-entry system maintained by DTC, and DTC will record in book-entry form, in accordance with instructions provided by such Participants, a credit balance with respect to such Book-Entry Notes in the account of such Participants. The ownership interest of such beneficial owner in such Global Note will be recorded through the records of such Participants or through the separate records of such Participants and one or more indirect participants in DTC.
Transfers:	Transfers of a beneficial interest in a Global Note will be accomplished by book entries made by DTC and, in turn, by Participants (and in certain cases, one or more indirect participants in DTC) acting on behalf of beneficial transferors and transferees of such Global Note.
Exchanges:	The Issuing and Paying Agent may deliver to DTC and the CUSIP Service Bureau at any time a written notice specifying (a) the CUSIP numbers of two or more Global Notes outstanding on such date that represent Notes having the same Fixed Rate Terms or Floating Rate Terms, as the case may be (other than Original Issue Dates), and for which interest has been paid to the same date; (b) a date, occurring at least 30 days after such written notice is delivered and at least 30 days before the next Interest Payment Date for the related Book-Entry Notes, on which such Global Notes shall be exchanged for one or more replacement Global Notes; and (c) a new CUSIP number, obtained from the Issuing and Paying Agent, to be assigned to such replacement Global Note. Upon receipt of such notice, DTC will send to its Participants a written reorganization notice to the effect that such exchange will occur on such date. Prior to the specified exchange date, the Issuing and Paying Agent will deliver to the CUSIP Service

	Bureau written notice setting forth such exchange date and the new CUSIP number and stating that, as of such exchange date, the CUSIP numbers of the Global Notes to be exchanged will no longer be valid. On the specified exchange date, the Issuing and Paying Agent will exchange such Global Notes for a single Global Note bearing the new CUSIP number, and the CUSIP numbers of the exchanged Global Notes will, in accordance with CUSIP Service Bureau procedures, be cancelled and not immediately reassigned. Notwithstanding the foregoing, if the Global Notes to be exchanged exceed $500,000,000 (or any other then-applicable DTC limit on the maximum aggregate principal amount of a single note) in aggregate principal amount, one replacement Global Note will be authenticated and issued to represent each $500,000,000 (or any other then-applicable DTC limit on the maximum aggregate principal amount of a single note) of principal amount of the exchanged Global Notes and an additional Global Note or Global Notes will be authenticated and issued in exchange for any remaining principal amount of such exchanged Global Notes representing such Book-Entry Notes (see “Denominations” below).
Denominations:	All Book-Entry Notes will be denominated in U.S. dollars. Book-Entry Notes will be issued in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof. Global Notes representing Book-Entry Notes will be denominated in principal amounts not in excess of $500,000,000 (or any other then-applicable DTC limit on the maximum aggregate principal amount of a single note). If one or more Book-Entry Notes having an aggregate principal amount in excess of $500,000,000 (or any other then-applicable DTC limit on the maximum aggregate principal amount of a single note) would, but for the preceding sentence, be represented by a single Global Note, then one Global Note will be issued to represent each $500,000,000 (or any other then-applicable DTC limit on the maximum aggregate principal amount of a single note) principal amount of such Book-Entry Note or Notes and an additional Global Note or Global Notes will be issued to represent any remaining principal amount of such Book-Entry Notes. In such case,

each of the Global Notes representing such Book-Entry Notes shall be assigned the same CUSIP number. Each owner of a beneficial interest in one or more Book-Entry Notes is required to hold that beneficial interest in denominations of $250,000 principal amount or any integral multiple of $1,000 in excess thereof of each such Book-Entry Note at all times.

Interest:

General. Interest on each Book-Entry Note will accrue from the Original Issue Date or the most recent Interest Payment Date for which interest has been paid. Each payment of interest on a Book-Entry Note shall include interest accrued through the day preceding, as the case may be, the Interest Payment Date, Maturity Date or date of earlier redemption or repayment. Interest payable on the Maturity Date or date of earlier redemption or repayment of a Book-Entry Note will be payable to the holder to whom the principal of such Book-Entry Note is payable. DTC will arrange for each pending deposit message described under Settlement Procedure D below to be transmitted to the Standard & Poor's Ratings Services, which will use the information in the message to include certain terms of the related Book-Entry Note in the appropriate daily bond report published by the Standard & Poor's Ratings Services.

Regular Record Dates. Unless otherwise specified in the applicable Disclosure Package or Pricing Supplement, the Regular Record Date with respect to any Interest Payment Date for a Fixed Rate Book-Entry Note with a maturity of greater than one year and for a Floating Rate Book-Entry Note shall be the date 15 calendar days (whether or not a Business Day) prior to such Interest Payment Date. Unless otherwise specified in the applicable Pricing Supplement, interest on a Fixed Rate Book-Entry Note with a maturity of one year or less will be payable only at maturity to the person to whom principal shall be payable.

Interest Payment Dates. Interest payments will be made on each Interest Payment Date commencing with the first Interest Payment Date following the Original Issue Date; provided, however, that the first payment of interest on any Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the second Interest Payment Date following the Original Issue Date. If any Interest Payment Date of a Fixed Rate Book-Entry Note falls on a day which is not a Business Day, the related payment of interest on such Fixed Rate Book-Entry Note shall be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date. If any Interest Payment Date with respect to any Floating Rate Book-Entry Note would otherwise be a day that is not a Business Day, such Interest Payment Date will be the next succeeding Business Day, except that in the case of a LIBOR Book-Entry Note, if such Business Day is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding Business Day.

Fixed Rate Book-Entry Notes. Unless otherwise specified in the applicable Disclosure Package or Pricing Supplement, interest payments on Fixed Rate Book-Entry Notes having maturities of greater than one year will be payable on the Interest Payment Dates specified in the Fixed Rate Book-Entry Notes and on the Maturity Date. Unless otherwise specified in the applicable Disclosure Package or Pricing Supplement, interest on Fixed Rate Book-Entry Notes having maturities of one year or less will be payable only at maturity.

Floating Rate Notes. Interest payments on Floating Rate Book-Entry Notes will be made as specified in the Floating Rate Book-Entry Note.

Notice of Interest Payments and Regular Record Dates. On the first Business Day after any Regular Record Date, the Issuing and Paying Agent will deliver to DTC a written list of Regular Record Dates and Interest Payment Dates that will occur during the six-month period beginning on such first Business Day with respect to Floating Rate Book-Entry Notes. Promptly after each Interest Determination Date for Floating Rate Book-Entry Notes, the Issuing and Paying Agent will notify the Standard & Poor’s Ratings Services of the interest rates determined on such Interest Determination Date.

Payments of Principal and Interest:	Payments of Interest Only. Promptly after each Regular Record Date, the Issuing and Paying Agent will deliver to the Issuing Bank and DTC a written notice specifying by CUSIP number the amount of interest to be paid on each Book-Entry Note on the following Interest Payment Date (other than an Interest Payment Date coinciding with the Maturity Date or date of earlier redemption or repayment) and the total of such amounts. DTC will confirm the amount payable on each Book-Entry Note on such Interest Payment Date by reference to the daily bond reports published by the Standard & Poor's Ratings Services. On such Interest Payment Date, the Issuing Bank will pay to the Issuing and Paying Agent, and the Issuing and Paying Agent in turn will pay to DTC, an amount sufficient to pay the total amount of interest then due and owing (other than on the Maturity Date or date of earlier redemption or repayment), at the times and in the manner set forth below under "Manner of Payment." Payments on the Maturity Date or Date of Earlier Redemption or Repayment. On or about the first Business Day of each month, the Issuing and Paying Agent will deliver to DTC a written list of principal of, premium, if any, and interest on, each Book-Entry Note maturing on any Maturity Date or date of earlier redemption or repayment in the following month. The Issuing and Paying Agent and DTC will confirm the amounts of such principal of, premium, if any, and interest on, a Book-Entry Note on or about the fifth Business Day preceding such date. On such Maturity Date or date of earlier redemption or repayment, the Issuing Bank will pay to the Issuing and Paying Agent, and the Issuing and Paying Agent in turn will pay to DTC, the principal amount of such Book-Entry Note, together with interest and premium, if any, due on such Maturity Date or date of earlier redemption or repayment, at the times and in the manner set forth below under "Manner of Payment." If any Maturity Date or date of earlier redemption or repayment of a Book-Entry Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, or interest on, such Book-Entry Note shall be made on the next

succeeding Business Day with the same force and effect as if made on the date such payment were due, and no interest shall accrue on the amount so payable for the period from and after such Maturity Date or date of earlier redemption or repayment, as the case may be. Promptly after payment to DTC of the principal of, premium, if any, and interest due on, the Maturity Date or date of earlier redemption or repayment of all Book-Entry Notes represented by a Global Note, the Issuing and Paying Agent will cancel such Global Note and deliver such Global Note to the Issuing Bank with an appropriate debit advice. On the first Business Day of each month, the Issuing and Paying Agent will deliver to the Issuing Bank a written statement indicating the total principal amount of outstanding Global Notes as of the close of business on the immediately preceding Business Day.

Manner of Payment. The total amount of any principal of, premium, if any, and interest on, Book-Entry Notes due on any Interest Payment Date or Maturity Date or date of earlier redemption or repayment shall be paid by the Issuing Bank to the Issuing and Paying Agent in immediately available funds available for use by the Issuing and Paying Agent no later than 1:00 p.m., New York City time, on such date. The Issuing Bank will make such payment on such Book-Entry Notes by instructing the Issuing and Paying Agent to withdraw funds from an account maintained by the Issuing Bank at the Issuing and Paying Agent. The Issuing Bank will confirm such instructions in writing to the Issuing and Paying Agent. Upon receipt of such funds, the Issuing and Paying Agent will pay by separate wire transfer (using message entry instructions in a form previously specified by DTC) to an account previously specified by DTC, in funds available for immediate use by DTC, each payment of principal of, premium, if any, and interest on, a Book-Entry Note on such date. Thereafter on such date, DTC will pay, in accordance with its SDFS operating procedures then in effect, such amounts in funds available for immediate use to the respective Participants in whose names Book-Entry Notes are recorded in the book-entry system maintained by DTC. Neither the Issuing Bank nor the Issuing and Paying Agent will have any responsibility or liability for the payment by DTC of the principal of, premium, if any, or interest on, the Book-Entry Notes to such Participants.

Withholding Taxes. The amount of any taxes required under applicable law to be withheld from any interest payment on a Book-Entry Note will be determined and withheld by the Participant, indirect participant in DTC or other person responsible for forwarding payments and materials directly to the beneficial owner of such Book-Entry Note.

Settlement Procedures:

Settlement Procedures with regard to Book-Entry Notes purchased by each Dealer as principal or sold by each Dealer, as agent of the Issuing Bank, will be as follows:

A. The Presenting Dealer will advise the Issuing Bank by telephone, confirmed by facsimile, of the following settlement information:

1. Principal amount of such Book-Entry Notes.

2. Whether the Note is a Senior Note or a Subordinated Note.

3. (a) Fixed Rate Book-Entry Notes:

(i) Interest Rate;

(ii) Interest Payment Dates for Fixed Rate Book-Entry Notes; and

(b) Floating Rate Book-Entry Notes:

(i) Initial Interest Rate;

(ii) Interest Rate Basis;

(iii) Index Maturity;

(iv) Spread and/or Spread Multiplier, if any;

(v) Maximum Interest Rate, if any;

(vi) Minimum Interest Rate, if any;

(vii) Interest Payment Dates;

(viii) Interest Payment Period;

(ix) Interest Reset Dates;

(x) Calculation Agent (if other than the Issuing and Paying Agent);

(xi) Interest Reset Period;

(xii) Other terms, if any.

4. Price to public, if any, of such Book-Entry Notes (if such Book-Entry Notes are not being offered "at the market").

5. Settlement Date (Original Issue Date).

6. Trade Date.

7. Maturity Date.

8. Redemption provisions, if any, including: Initial Redemption Date, Initial Redemption Percentage and Annual Redemption Percentage Reduction.

9. Repayment provisions, if any, including: Holder's Optional Repayment Date(s).

10. The Presenting Dealer's commission or discount, as applicable.

11. Such other information specified with respect to such Book-Entry Notes.

B. If any offer to purchase a Note is accepted by the Issuing Bank, the Issuing Bank, with the approval of the Presenting Dealer, will prepare a Disclosure Package reflecting the terms of such Note and a Pricing Supplement reflecting the information set forth in Settlement Procedure A above, and will transmit the Pricing Supplement and, to the extent not previously delivered, the Disclosure Package, to the Presenting Dealer by electronic or facsimile transmission.

C. The Issuing Bank will advise the Issuing and Paying Agent by electronic means, telephone (confirmed in writing at any time on the same date), facsimile transmission or by other acceptable means of the information set forth in Settlement Procedure A above, and the name of the Presenting Dealer. The Issuing and Paying Agent on behalf of the Issuing Bank will assign a

CUSIP number of the appropriate series to the Global Note representing such Book-Entry Notes and will notify the Issuing Bank by facsimile transmission or other electronic transmission of such CUSIP number as soon as practicable, and as soon thereafter as practicable, the Issuing Bank will notify the Presenting Dealer by telephone of such CUSIP number. Each such instruction given by the Issuing Bank to the Issuing and Paying Agent will constitute a representation and warranty by the Issuing Bank to the Issuing and Paying Agent and the Dealers that (i) the issuance and delivery of such Global Note has been duly and validly authorized by the Issuing Bank and (ii) that such Global Note, when completed, authenticated and delivered pursuant to the Issuing and Paying Agency Agreement, will constitute the valid and legally binding obligation of the Issuing Bank.

D. The Issuing and Paying Agent will communicate to DTC and the Presenting Dealer through DTC's Participant Terminal System, a pending deposit message specifying the following settlement information:

1. The information set forth in Settlement Procedure A.
2. The identification numbers of the participant accounts maintained by DTC on behalf of the Issuing and Paying Agent and the Presenting Dealer.
3. Identification as a Senior Note or a Subordinated Note.
4. Identification as a Fixed Rate Book-Entry Note or Floating Rate Book-Entry Note.
5. The initial Interest Payment Date for each Global Note representing such Book-Entry Notes, the number of days by which such date succeeds the related Regular Record Date for DTC purposes and, if then calculable, the amount of interest payable on such Interest Payment Date (which amount shall have been confirmed by the Issuing and Paying Agent).
6. The CUSIP number of each Global Note representing such Book-Entry Notes.
7. Whether such Global Note represents any other Notes issued or to be issued in book-entry form.

E. The Issuing and Paying Agent will complete, authenticate and deliver to DTC by retention as custodian for DTC the Global Note representing such Book-Entry Notes in a form that has been approved by the Issuing Bank, the Issuing and Paying Agent and the Dealers.

F. DTC will credit the Book-Entry Notes represented by such Global Note to the participant account of the Issuing and Paying Agent maintained by DTC except as provided in Settlement Procedure H below.

G. The Issuing and Paying Agent will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC (i) to debit such Book-Entry Notes to the Issuing and Paying Agent's participant account and credit such Book-Entry Notes to the participant account of the Presenting Dealer maintained by DTC and (ii) to debit the settlement account of the Presenting Dealer and credit the settlement account of the Issuing and Paying Agent maintained by DTC, in an amount equal to the price of such Book-Entry Notes less such Dealer's commission. Any entry of such deliver order shall be deemed to constitute a representation and warranty by the Issuing and Paying Agent to DTC that (i) the Global Note representing such Book-Entry Notes has been issued and authenticated and (ii) the Issuing and Paying Agent is holding such Global Note pursuant to the Certificate Agreement.

H. In the case of Book-Entry Notes sold through a Dealer acting as agent, the Presenting Dealer will enter an SDFS deliver order through DTC's Participant Terminal System instructing DTC (i) to debit such Book-Entry Notes to the Presenting Dealer's participant account and credit such Book-Entry Notes to the participant account of the Participants maintained by DTC and (ii) to debit the settlement accounts of such Participants and credit the settlement account of the

Presenting Dealer maintained by DTC, in an amount equal to the initial public offering price of such Book-Entry Notes.

I. Transfers of funds in accordance with SDFS deliver orders described in Settlement Procedures G and H will be settled in accordance with SDFS operating procedures in effect on the Settlement Date.

J. The Issuing and Paying Agent will credit to an account of the Issuing Bank maintained at the Issuing and Paying Agent funds available for immediate use in the amount transferred to the Issuing and Paying Agent in accordance with Settlement Procedure G.

K. In the case of Book-Entry Notes sold through a Dealer acting as agent, the Presenting Dealer will confirm the purchase of such Book-Entry Notes to the purchaser either by transmitting to the Participant with respect to such Book-Entry Notes a confirmation order through DTC's Participant Terminal System or by mailing a written confirmation to such purchaser.

Settlement Procedures Timetable:

For offers to purchase Book-Entry Notes accepted by the Issuing Bank, Settlement Procedures A through K set forth above shall be completed as soon as possible. However, all information on sales settling one day or more after the Trade Date will be transmitted to DTC no later than 10:00 a.m. on the Settlement Date.

If a sale is to be settled on the same Business Day as the Trade Date, Settlement Procedure A shall be completed no later than 11:00 a.m. on such Business Day, Settlement Procedure C shall be completed no later than 12:00 p.m. on such Business Day and Settlement Procedure D shall be completed no later than 1:00 p.m. on such Business Day.

If a sale is to be settled more than one Business Day after the Trade Date, Settlement Procedures A and B must be completed no later than 4:00 p.m. on the Trade Date and Settlement Procedures C and D may, if necessary, be completed at any time on the first Business Day after such Trade Date. Settlement Procedure I is subject to extension in accordance with any extension of Fedwire closing deadlines and in the other events specified in the SDFS operating procedures in effect on the Settlement Date.

If settlement of a Book-Entry Note is rescheduled or cancelled, the Issuing and Paying Agent will deliver to DTC, through DTC's Participant Terminal System, a cancellation message to such effect by no later than 2:00 p.m., New York City time, on the Business Day immediately preceding the scheduled Settlement Date.

Failure to Settle:

If the Issuing and Paying Agent fails to enter an SDFS deliver order with respect to a Book-Entry Note pursuant to Settlement Procedure G, then the Issuing and Paying Agent may deliver to DTC, through DTC's Participant Terminal System, as soon as practicable a withdrawal message instructing DTC to debit such Book-Entry Note to the participant account of the Issuing and Paying Agent maintained at DTC. DTC will process the withdrawal message, provided that such participant account contains a principal amount of the Global Note representing such Book-Entry Note that is at least equal to the principal amount to be debited. If withdrawal messages are processed with respect to all Book-Entry Notes represented by a Global Note, the Issuing and Paying Agent will mark such Global Note "cancelled," make appropriate entries in its records and return such Global Note to the Issuing Bank. The CUSIP number assigned to such Global Note shall, in accordance with CUSIP Service Bureau procedures, be cancelled and not immediately reassigned. If withdrawal messages are processed with respect to some of the Book-Entry Notes represented by a Global Note, the Issuing and Paying Agent will exchange such Global Note for two Global Notes, one of which shall represent the Book-Entry Notes for which such withdrawal messages are processed and shall be cancelled immediately after issuance, and the other of which shall represent the other Book-Entry Notes previously represented by the surrendered Global Note and shall bear the CUSIP number of the surrendered Global Note.

In the case of any Book-Entry Note sold through a Dealer, acting as agent, if the purchase price for any

Book-Entry Note is not timely paid to the Participants with respect to such Book-Entry Note by the beneficial purchaser thereof (or a person, including an indirect participant in DTC, acting on behalf of such purchaser), such Participants and, in turn, the applicable Dealer may enter SDFS deliver orders through DTC's Participant Terminal System reversing the orders entered pursuant to Settlement Procedures G and H, respectively. Thereafter, the Issuing and Paying Agent will deliver the withdrawal message and take the related actions described in the preceding paragraph. If such failure shall have occurred for any reason other than default by the applicable Dealer to perform its obligations hereunder or under the Distribution Agreement, the Issuing Bank will reimburse such Dealer on an equitable basis for its loss of the use of funds during the period when the funds were credited to the account of the Issuing Bank.

Notwithstanding the foregoing, upon any failure to settle with respect to a Book-Entry Note, DTC may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to a Book-Entry Note that was to have been represented by a Global Note also representing other Book-Entry Notes, the Issuing and Paying Agent will provide, in accordance with Settlement Procedure E, for the authentication and issuance of a Global Note representing such remaining Book-Entry Notes and will make appropriate entries in its records.

Exhibit B-1

(Form of Fixed Rate Global Senior Bank Note)

THIS SENIOR NOTE IS AN OBLIGATION SOLELY OF PNC BANK, NATIONAL ASSOCIATION (THE "BANK") AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY AFFILIATE THEREOF OTHER THAN THE BANK. THE OBLIGATIONS EVIDENCED BY THIS SENIOR NOTE RANK EQUALLY WITH ALL OTHER UNSECURED AND UNSUBORDINATED INDEBTEDNESS OF THE BANK, EXCEPT FOR OBLIGATIONS (INCLUDING DOMESTIC (U.S.) DEPOSIT LIABILITIES) THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. UNDER APPLICABLE LAW, CLAIMS OF CERTAIN CREDITORS OF THE BANK, INCLUDING HOLDERS OF DOMESTIC (U.S.) DEPOSITS, WOULD BE ENTITLED TO PRIORITY OVER THE CLAIMS OF GENERAL UNSECURED CREDITORS (SUCH AS THE HOLDERS OF THIS SENIOR NOTE) IN THE EVENT OF A LIQUIDATION OR OTHER RESOLUTION OF THE BANK. THIS SENIOR NOTE IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THE OBLIGATIONS UNDER THIS SENIOR NOTE ARE NOT SECURED.

UNLESS THIS SENIOR NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY") TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SENIOR NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRSENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCHAS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SENIOR NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF $250,000 AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SENIOR NOTE MUST BE AN INVESTOR WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN A $250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF OF THIS SENIOR NOTE AT ALL TIMES.

No. FXR-
CUSIP NO.: REGISTERED

GLOBAL SENIOR BANK NOTE
(Fixed Rate)

ORIGINAL ISSUE DATE:	PRINCIPAL AMOUNT:
INTEREST RATE: %	MATURITY DATE:
INTEREST PAYMENT DATE(S): [ ] At Maturity only [ ] and of each year [ ] Other:	INITIAL INTEREST PAYMENT DATE:

REGULAR RECORD DATES (FOR NOTES WITH MATURITIES OF MORE THAN ONE YEAR) (if other than the fifteenth calendar day (whether or not a Business Day) next preceding the applicable Interest Payment Date):

INITIAL REDEMPTION DATE:	INITIAL REDEMPTION PERCENTAGE:
ANNUAL REDEMPTION PERCENTAGE REDUCTION:	HOLDER’S OPTIONAL REPAYMENT DATE(S):
DAY COUNT CONVENTION [ ] 30/360 [ ] OTHER:	
ADDENDUM ATTACHED: [ ] Yes [ ] No	ORIGINAL ISSUE DISCOUNT: [ ] Yes [ ] No
DEFAULT RATE: %	Total Amount of OID: Yield to Maturity:
OTHER PROVISIONS:	Initial Accrual Period:

PNC Bank, National Association (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of United States Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest in arrears thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Senior Note (or any predecessor Senior Note) has been paid or duly provided for on the Interest Payment Date or Dates specified above (each, an "Interest Payment Date"), and at maturity or upon earlier redemption or repayment, if applicable, commencing on the Initial Interest Payment Date specified above at the Interest Rate per annum specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Senior Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on the Regular Record Date, which unless otherwise specified above shall be the fifteenth calendar day (whether or not a Business Day (as defined below)) next preceding the applicable Interest Payment Date (a "Regular Record Date"); *provided, however*, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and will instead be payable to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") determined by the Issuing and Paying Agent (as defined below), notice of which shall be given to the holders of Senior Notes not less than 10 calendar days prior to such Special Record Date.

Payment of principal of, premium, if any, and interest on, this Senior Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (which may be the Bank) (the "Issuing and Paying Agent," which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Senior Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in New York City or in the city in which the Bank is headquartered (the "Place of Payment"), where this Senior Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Senior Note may be served. The Bank has initially appointed PNC Bank, National Association as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements. The Bank may resign as or remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

Payment of principal of, premium, if any, and interest on, this Senior Note due at maturity or upon earlier redemption or repayment, if applicable, will be made in immediately available funds upon presentation and surrender of this Senior Note to the Issuing and Paying Agent at the Issuing and Paying Agent Office; provided that this Senior Note is presented to the Issuing and Paying Agent in time for the Issuing and Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Senior Note (other than at maturity or upon earlier redemption or repayment) will be made by wire transfer to such account as has been appropriately designated to the Issuing and Paying Agent by the person entitled to such payments.

Reference herein to “this Senior Note”, “hereof”, “herein” and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Senior Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Bank has caused this Senior Note to be duly executed.

PNC BANK, NATIONAL ASSOCIATION

By: ______________________________
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the Issuing and Paying Agency Agreement.

PNC BANK, NATIONAL ASSOCIATION,
as the Issuing and Paying Agent

By: ______________________________
Authorized Signatory

[Reverse]

This Senior Note is one of a duly authorized issue of Senior Bank Notes of the Bank due nine months or more from date of issue (the "Senior Notes").

Payments of interest hereon will include interest accrued to but excluding the relevant Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. Unless otherwise specified on the face hereof, interest on Senior Notes with maturities of greater than one year will be computed on the basis of a 360-day year of twelve 30-day months. Unless otherwise specified on the face hereof, interest on Senior Notes with maturities of one year or less will be computed on the basis of the actual number of days in the year divided by 360 and will be payable only at maturity to the person to whom principal shall be payable.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Senior Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

If any Interest Payment Date, Maturity Date or date of earlier redemption or repayment of this Senior Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and any interest on, this Senior Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Maturity Date or date of earlier redemption or repayment, as the case may be. "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in New York City and in Pittsburgh, Pennsylvania is not a day on which banking institutions are authorized or required by law, regulation or executive order to close.

This Senior Note will not be subject to any sinking fund. If so provided on the face of this Senior Note, this Senior Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Senior Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, this Senior Note may be redeemed in increments of $1,000 (provided that any remaining principal amount hereof shall be at least $250,000 and no owner of a beneficial interest in this Senior Note shall hold a beneficial interest of less than $250,000 principal amount) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Senior Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Senior Notes at any time outstanding are to be redeemed, the terms of the Senior Notes to be so redeemed shall be selected by the Bank. If less than all the Senior Notes with identical terms at any time outstanding are to be redeemed, the Senior Notes to be so redeemed shall be selected by the Issuing and Paying Agent pro rata, by lot or in any usual manner approved by it or required by the Depositary. In the event of redemption of this Senior Note in part only, a new Senior

Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. The Issuing and Paying Agent is not required to register the transfer of or exchange or any Senior Note that has been called for redemption in whole or in part, except the unredeemed portion of the Senior Notes being redeemed in part, during a period beginning at the opening of business 15 calendar days before the day of mailing of a notice of such redemption and ending at the close of business on the day of such mailing.

The “Redemption Price” shall initially be the Initial Redemption Percentage specified on the face hereof of the principal amount of this Senior Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

This Senior Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof either in whole or in part on any Holder’s Optional Repayment Date(s), if any, specified on the face hereof. If no Holder’s Optional Repayment Date is specified on the face hereof, this Senior Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder’s Optional Repayment Date, if any, this Senior Note will be repayable in whole or in part in increments of $1,000 (provided that any remaining principal amount hereof will be at least $250,000 and no owner of a beneficial interest in this Senior Note will hold a beneficial interest of less than $250,000 principal amount) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Senior Note to be repaid in whole or in part at the option of the holder hereof on a Holder’s Optional Repayment Date, this Senior Note must be delivered, with the form entitled “Option to Elect Repayment” attached hereto duly completed, to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements, or at such other address which the Bank shall from time to time notify the holders of the Senior Notes, not more than 60 nor less than 30 calendar days prior to such Holder’s Optional Repayment Date. In the event of repayment of this Senior Note in part only, a new Senior Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

In case any Senior Note shall at any time become mutilated, destroyed, lost or stolen, and such Senior Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue and the Issuing and Paying Agent shall authenticate a new Senior Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Senior Note or in lieu of the Senior Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Senior Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Senior Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Senior Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new

Senior Note. If any Senior Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Senior Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Senior Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of, premium, if any, or interest on, this Senior Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor corporation, either directly or through the Bank or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The occurrence of any of the following events shall constitute an "Event of Default" with respect to this Senior Note: (i) default in the payment of any interest with respect to any of the Senior Notes issued by the Bank when due, which continues for 30 calendar days; (ii) default in the payment of any principal of, or premium, if any, on, any of the Senior Notes issued by the Bank when due; (iii) the entry by a court having jurisdiction in the premises or an administrative or governmental agency or body of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or (iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Senior Note may declare the principal amount of, and accrued interest and premium, if any, on, this Senior Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Senior Note may be waived by the holder hereof.

In the event of the appointment of a receiver, liquidator or conservator for the Bank, the FDIC as conservator or receiver has broad powers with respect to contracts, including the Senior Notes, in spite of any acceleration provision.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Senior Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation, banking association or other legal entity (collectively, the "corporation") or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided*, *however* (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Senior Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Senior Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Senior Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Senior Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Senior Note and may be liquidated and dissolved.

Any action by the holder of this Senior Note shall bind all future holders of this Senior Note, and of any Senior Note issued in exchange or substitution herefor or in place hereof, in respect of anything done or permitted by the Bank or by the Issuing and Paying Agent in pursuance of such action.

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in Pittsburgh, Pennsylvania, herein referred to as the "Senior Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Senior Notes and of transfers of the Senior Notes.

The transfer of this Senior Note is registerable in the Senior Note Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Senior Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on, this Senior Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

The Bank may, from time to time, without the consent of any holder, issue additional Senior Notes so as to form a single tranche with this Senior Note. Any such additional Senior Notes will be "fungible" with this Senior Note for U.S. Federal income tax purposes. As used herein, "tranche" means all Senior Notes that have the same maturity date, interest payment basis, interest payment dates, if any, and other terms, except for the original issue date, issue price and initial interest payment date, if applicable.

No service charge shall be made to a holder of this Senior Note for any transfer or exchange of this Senior Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Beneficial interests represented by this Senior Note are exchangeable for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as depositary (the "Depositary") notifies the Bank that it is unwilling or unable to continue as Depositary for this Senior Note or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by the Bank within 90 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Senior Note. Any Senior Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof. Such definitive Senior Notes shall be registered in the name or names of such person or persons as the Depositary shall instruct the Issuing and Paying Agent.

This Senior Note may be amended, modified or supplemented by the Bank and the Issuing and Paying Agency Agreement may be amended, modified or supplemented by the Bank and the Issuing and Paying Agent, (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein or therein, (b) to make any further modifications of the terms of the Issuing and Paying Agency Agreement necessary or desirable to allow for the issuance of any additional Senior Notes (which modifications shall not be materially adverse to Holders of Senior Notes that are then outstanding); (c) to conform any provision of this Senior Note to the description thereof contained in the Offering Circular and any Pricing Supplement related to the offering of this Senior Note, or (d) in any manner that the Bank and, in the case of the Issuing and Paying Agency Agreement, the Issuing and Paying Agent may deem necessary or desirable and which the Bank determines, as evidenced by an opinion of counsel delivered to the Issuing and Paying Agent, will not materially adversely affect the interests of the Holders of the then outstanding Senior Notes, to all of which each Holder of

Senior Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the Holders of at least 66-2/3% of the principal amount of the Senior Notes to be affected thereby, the Bank and the Issuing and Paying Agent may from time to time and at any time enter into agreements modifying, amending or supplementing in any other respect the Issuing and Paying Agency Agreement or the provisions of this Senior Note for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Issuing and Paying Agency Agreement or of modifying in any manner the rights of the Holders of this Senior Note; provided, however, that no such modification, amendment or supplement may, without the consent of the Holder of each Senior Note then outstanding and affected thereby, (i) change the stated maturity date with respect to this Senior Note or reduce or cancel the amount payable at maturity, (ii) reduce the amount payable or modify the payment date for any interest with respect to this Senior Note or vary the method of calculating the rate of interest with respect to this Senior Note, (iii) reduce any minimum interest rate and/or maximum interest rate (as such terms are defined in the Offering Circular, any applicable Global Senior Bank Note or any Pricing Supplement) with respect to this Senior Note, (iv) modify the currency in which payments under this Senior Note appertaining hereto are to be made, (v) reduce the percentage in principal amount of outstanding Senior Notes the consent of the Holders of which is necessary to modify or amend the Issuing and Paying Agency Agreement, or (vi) materially modify the redemption provisions relating to the redemption price or redemption date with respect to this Senior Note. Any instrument given by or on behalf of any Holder of this Senior Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of this Senior Note. Any modifications, amendments or waivers to the Issuing and Paying Agency Agreement or the provisions of this Senior Note will be conclusive and binding on all Holders this Senior Note, whether or not notation of such modifications, amendments or waivers is made upon this Senior Note. It will not be necessary for the consent of the Holders of this Senior Note to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. Senior Notes authenticated and delivered after the execution of any modification, amendment or supplement to the Issuing and Paying Agency Agreement may bear a notation as to any matter provided for in that modification, amendment or supplement. New Senior Notes modified as to conform, in the opinion of the Bank and that of the Issuing and Paying Agent, as applicable, to any modification contained in any amendment may be prepared by the Bank, authenticated by the Issuing and Paying Agent, and delivered in exchange for the Senior Notes then outstanding. If the Bank and the Issuing and Paying Agent effect any modification, amendment or supplement to the provisions of this Senior Note, the Bank will have no obligation to make a similar modification, amendment or supplement to any other Senior Note, irrespective of the Series to which the other Senior Note may belong. Neither the Bank nor any affiliate of the Bank may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Issuing and Paying Agency Agreement or any Senior Notes unless such consideration is offered to all Holders whose Senior Notes would be subject to such consent, waiver or amendment and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

Prior to due presentment of this Senior Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Senior Note is registered as the owner hereof for all purposes, whether or not this Senior Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Senior Note shall be in writing and addressed to the Bank at Three PNC Plaza, Three PNC Plaza, 225 Fifth Avenue, 6th Floor, Pittsburgh, Pennsylvania 15222, Attention: Lisa Kovac, or to such other address of the Bank as the Bank may notify the holder of this Senior Note.

This Senior Note shall be governed by, and construed in accordance with, the laws of the State of Pennsylvania (without regard to conflicts of laws principles) and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Senior Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	—	as tenants in common
TEN ENT	—	as tenants by the entireties
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ____________________ Custodian ____________________

(Cust) (Minor)

under Uniform Gifts to Minors Act

____

(State)

Additional abbreviations may also be used
though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer said Senior Note on the books of the Issuing and Paying Agent, with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Senior Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Senior Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at

(Please print or typewrite name and address of the undersigned)

For this Senior Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Securities Settlement, or at such other place or places of which the Bank shall from time to time notify the holder of this Senior Note, not more than 60 days nor less than 30 days prior to the date of repayment, with this “Option to Elect Repayment” form duly completed.

If less than the entire principal amount of this Senior Note is to be repaid, specify the portion hereof (which shall be increments of $1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be $250,000 or an integral multiple of $1,000 in excess thereof) of the Senior Notes to be issued to the holder for the portion of this Senior Note not being repaid (in the absence of any such specification, one such Senior Note will be issued for the portion not being repaid):

$

Dated:

NOTICE: The signature on this “Option to Elect Repayment” form must correspond with the name, as written upon the face of the within Senior Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

Exhibit B-2

(Form of Floating Rate Global Senior Bank Note)

THIS SENIOR NOTE IS AN OBLIGATION SOLELY OF PNC BANK, NATIONAL ASSOCIATION (THE "BANK") AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY AFFILIATE THEREOF OTHER THAN THE BANK. THE OBLIGATIONS EVIDENCED BY THIS SENIOR NOTE RANK EQUALLY WITH ALL OTHER UNSECURED AND UNSUBORDINATED INDEBTEDNESS OF THE BANK, EXCEPT FOR OBLIGATIONS (INCLUDING DOMESTIC (U.S.) DEPOSIT LIABILITIES) THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. UNDER APPLICABLE LAW, CLAIMS OF CERTAIN CREDITORS OF THE BANK, INCLUDING HOLDERS OF DOMESTIC (U.S.) DEPOSITS, WOULD BE ENTITLED TO PRIORITY OVER THE CLAIMS OF GENERAL UNSECURED CREDITORS (SUCH AS THE HOLDERS OF THIS SENIOR NOTE) IN THE EVENT OF A LIQUIDATION OR OTHER RESOLUTION OF THE BANK. THIS SENIOR NOTE IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THE OBLIGATIONS UNDER THIS SENIOR NOTE ARE NOT SECURED.

UNLESS THIS SENIOR NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITARY") TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SENIOR NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRSENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCHAS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SENIOR NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF $250,000 AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SENIOR NOTE MUST BE AN INVESTOR WHO IS AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN A $250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF OF THIS SENIOR NOTE AT ALL TIMES.

No. FLR- REGISTERED
CUSIP NO.:

GLOBAL SENIOR BANK NOTE
(Floating Rate)

ORIGINAL ISSUE DATE:

PRINCIPAL AMOUNT:

INITIAL INTEREST RATE: %

MATURITY DATE:

INTEREST RATE BASIS OR BASES:

INDEX MATURITY:

IF LIBOR:
Designated LIBOR Currency:

REGULAR RECORD DATES (if other than the fifteenth calendar day (whether or not a Business Day) next preceding the applicable Interest Payment Date):

IF FED FUNDS:
[ ] Federal Funds (Effective) Rate
[ ] Federal Funds Open Rate
[ ] Federal Funds Target Rate

INDEX CURRENCY:

SPREAD (PLUS OR MINUS) AND/OR SPREAD MULTIPLIER:

MAXIMUM INTEREST RATE:

MINIMUM INTEREST RATE:

INTEREST PAYMENT DATES:

INTEREST PAYMENT PERIOD:

INITIAL INTEREST PAYMENT DATE:

INITIAL INTEREST RESET DATE:

INTEREST RESET PERIOD:

INTEREST RESET DATES:

CALCULATION AGENT (if other than PNC Bank, National Association):

INITIAL REDEMPTION DATE:

ANNUAL REDEMPTION PERCENTAGE REDUCTION:

INITIAL REDEMPTION PERCENTAGE:

HOLDER’S OPTIONAL REPAYMENT DATE(S):

INTEREST CALCULATION: [ ] Regular Floating Rate Senior Note [ ] Floating Rate/Fixed Rate Senior Note Fixed Rate Commencement Date: Fixed Interest Rate: [ ] Fixed Rate/Floating Rate Senior Note Fixed Interest Rate: Initial Interest Reset Date: [ ] Step-Up Note: Step-Up Rate Commencement Date: Step-Up Rate Adjustment:	DAY COUNT CONVENTION [ ] 30/360 for the period from and including to but excluding . [ ] Actual/360 for the period from and including to but excluding . [ ] Actual/Actual for the period from and including to but excluding .
ADDENDUM ATTACHED: [ ] Yes [ ] No	ORIGINAL ISSUE DISCOUNT: [ ] Yes [ ] No Total Amount of OID: Yield to Maturity: Initial Accrual Period:
OTHER PROVISIONS:	DEFAULT RATE: %

PNC Bank, National Association (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of United States Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest in arrears thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Senior Note (or any predecessor Senior Note) has been paid or duly provided for on the Interest Payment Date or Dates specified above (each, an "Interest Payment Date"), and at maturity or upon earlier redemption or repayment, if applicable, commencing on the Initial Interest Payment Date specified above, at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, if any, and such other terms specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Senior Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on the Regular Record Date, which unless otherwise specified above shall be the fifteenth calendar day (whether or not a Business Day (as defined below)) next preceding the applicable Interest Payment Date (a "Regular Record Date"); *provided*, *however*, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and will instead be payable to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") determined by the Issuing and Paying Agent (as defined below), notice of which shall be given to the holders of Senior Notes not less than 10 calendar days prior to such Special Record Date.

Payment of principal of, premium, if any, and interest on, this Senior Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (which may be the Bank) (the "Issuing and Paying Agent", which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Senior Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in New York City or in the city in which the Bank is headquartered (the "Place of Payment"), where this Senior Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Senior Note may be served. The Bank has initially appointed PNC Bank, National Association as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements. The Bank may resign as or remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

Payment of principal of, premium, if any, and interest on, this Senior Note due at maturity or upon earlier redemption or repayment, if applicable, will be made in immediately available funds upon presentation and surrender of this Senior Note to the Issuing and Paying Agent at the Issuing and Paying Agent Office; *provided* that this Senior Note is presented to the Issuing and Paying Agent in time for the Issuing and Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Senior Note (other than at maturity or upon earlier redemption or repayment) will be made by wire transfer to such account as has been appropriately designated to the Issuing and Paying Agent by the person entitled to such payments.

Reference herein to "this Senior Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Senior Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Bank has caused this Senior Note to be duly executed.

PNC BANK, NATIONAL ASSOCIATION

By: ______________________________
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the Issuing and Paying Agency Agreement.

PNC BANK, NATIONAL ASSOCIATION
as the Issuing and Paying Agent

By: ______________________________
Authorized Signatory

[Reverse]

This Senior Note is one of a duly authorized issue of Senior Bank Notes of the Bank due nine months or more from date of issue (the "Senior Notes").

If any Interest Payment Date (other than an Interest Payment Date at the Maturity Date or date of earlier redemption or repayment of this Senior Note) would otherwise fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis is LIBOR, as specified on the face hereof, and such next Business Day falls in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown on the face hereof. If the Maturity Date or date of earlier redemption or repayment of this Senior Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and interest on, this Senior Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity Date or date of earlier redemption or repayment, as the case may be.

This Senior Note will not be subject to any sinking fund. If so provided on the face of this Senior Note, this Senior Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Senior Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, this Senior Note may be redeemed in increments of $1,000 (provided that any remaining principal amount hereof shall be at least $250,000 and no owner of a beneficial interest in this Senior Note shall hold a beneficial interest of less than $250,000 principal amount) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Senior Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Senior Notes at any time outstanding are to be redeemed, the terms of the Senior Notes to be so redeemed shall be selected by the Bank. If less than all the Senior Notes with identical terms at any time outstanding are to be redeemed, the Senior Notes to be so redeemed shall be selected by the Issuing and Paying Agent pro rata, by lot or in any usual manner approved by it or required by the Depositary. In the event of redemption of this Senior Note in part only, a new Senior Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. The Issuing and Paying Agent is not required to register the transfer of or exchange of any Senior Note that has been called for redemption in whole or in part, except the unredeemed portion of the Senior Notes being redeemed in part, during a period beginning at the opening of business 15 calendar days before the day of mailing of a notice of such redemption and ending at the close of business on the day of such mailing.

The "Redemption Price" shall initially be the Initial Redemption Percentage specified on the face hereof of the principal amount of this Senior Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

This Senior Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof either in whole or in part on any Holder's Optional Repayment Date(s), if any, specified on the face hereof. If no Holder's Optional Repayment Date is specified on the face hereof, this Senior Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder's Optional Repayment Date, if any, this Senior Note will be repayable in whole or in part in increments of $1,000 (provided that any remaining principal amount hereof will be at least $250,000 and no owner of a beneficial interest in this Senior Note will hold a beneficial interest of less than $250,000 principal amount) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Senior Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Senior Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements, or at such other address which the Bank shall from time to time notify the holders of the Senior Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Senior Note in part only, a new Senior Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

The interest rate borne by this Senior Note shall be determined as follows:

1. If this Senior Note is designated as a Regular Floating Rate Senior Note on the face hereof or if no designation is made for Interest Calculation on the face hereof, then, except as described below or in an Addendum hereto, this Senior Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Senior Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Senior Note is designated as a Fixed Rate/Floating Rate Senior Note on the face hereof, then, except as described below or in an Addendum hereto, this Senior Note shall bear interest at the Fixed Interest Rate specified on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Senior Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that (i) the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Fixed Interest Rate; and (ii) the interest rate in effect commencing on, and including, the Initial Interest Reset Date to but excluding the Stated Maturity Date or date of earlier redemption or repayment

shall be at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof.

3. If this Senior Note is designated as a Floating Rate/Fixed Rate Senior Note on the face hereof, then, except as described below or in an Addendum hereto, this Senior Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Senior Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that (i) the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Initial Interest Rate; and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date to but excluding the Stated Maturity Date or date of earlier redemption or repayment shall be the Fixed Interest Rate, if such a rate is specified on the face hereof, or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

4. If this Senior Note is designated as a Step-Up Note on the face hereof, then, unless as otherwise described below or in an Addendum hereto, this Senior Note will bear interest at a fixed rate of interest in effect for the period from the Original Issue Date until the Initial Interest Reset Date, as specified on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Step-up Note is payable shall be increased as of each Interest Reset Date to a higher, predetermined rate as specified on the face hereof or in an Addendum hereto.

Notwithstanding the foregoing, if this Senior Note is designated on the face hereof as having an Addendum attached, this Senior Note shall bear interest in accordance with the terms described in such Addendum.

Except as set forth above or specified on the face hereof or in an Addendum hereto, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if LIBOR is an applicable Interest Rate Basis and if such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Unless otherwise specified on the face hereof, any interest payable on this Senior Note on any Interest Payment Date will equal the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified on the face hereof, if no interest has been paid), to but excluding the related Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be.

Unless otherwise specified on the face hereof, any accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the period for which interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such date will be computed by dividing the interest rate applicable to such day by 360 if the Federal Funds Rate or LIBOR is an applicable Interest Rate Basis. Unless otherwise specified on the face hereof, the interest factor for this Senior Note, if the interest rate is calculated with reference to two or more Interest Rate Bases, will be calculated in each period in the same manner as if only the applicable Interest Rate Bases specified on the face hereof applied.

The interest rate applicable to each day in an Interest Reset Period commencing on the related Interest Reset Date will be determined by the Calculation Agent as of the applicable Interest Determination Date and will be calculated by the Calculation Agent on or prior to the Calculation Date (as defined below), except with respect to LIBOR, which will be calculated on such Interest Determination Date. The "Interest Determination Date" with respect to the Federal Funds Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; and the "Interest Determination Date" with respect to LIBOR shall be the second London Banking Day (as defined below) immediately preceding the applicable Interest Reset Date, unless the Designated LIBOR Currency is British pounds sterling, in which case the "Interest Determination Date" will be the applicable Interest Reset Date. If the interest rate of this Senior Note is determined with reference to two or more Interest Rate Bases specified on the face hereof, the "Interest Determination Date" pertaining to this Senior Note shall be the latest Business Day which is at least two Business Days prior to the applicable Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined as of such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Unless otherwise specified on the face hereof, the "Calculation Date" pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. All calculations on this Senior Note shall be made by the Calculation Agent specified on the face hereof or such successor thereto as is duly appointed by the Bank. The determination of any interest rate by the Calculation Agent will be final and binding absent manifest error.

All percentages resulting from any calculation on this Senior Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (*e.g.*, 5.876545% (or 0.05876545) would be rounded to 5.87655% (or 0.0587655) and 5.876544% (or 0.05876544) would be rounded to 5.87654% (or 0.0587654)), and all dollar amounts used in or resulting from such calculation will be rounded, in the case of United States dollars, to the nearest cent or, in the case of a foreign currency, to the smallest denominational unit (with one-half cent being rounded upwards).

As used herein, "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in New York City and in Pittsburgh, Pennsylvania is not a day on which banking institutions are authorized or required by law, regulation or executive order to close and, if an Interest Rate Basis shown on the face hereof is LIBOR, is also a London Banking Day. As used herein, unless otherwise specified on the face hereof, "London Banking Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Federal Funds Rate. If an Interest Rate Basis for this Senior Note is the Federal Funds Rate, as specified on the face hereof, the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date") in accordance with the following provisions:

(i) If "Federal Funds (Effective) Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date will be the Federal Funds Rate on such date for United States dollar federal funds as published in H.15(519) opposite the caption "Federal Funds (Effective)", as such rate is displayed on the FEDL01 Index Page of Bloomberg L.P. ("Bloomberg") or, if such rate is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on the FEDL01 Index Page on Bloomberg or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate with respect to such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent, prior to 9:00 A.M., New York City time, on the Business Day following such Federal Funds Rate Interest Determination Date; *provided*, *however*, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date. As used herein, "H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Federal Reserve Board.

(ii) If "Federal Funds Open Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date will be the Federal Funds Rate on such date displayed on the FEDSOPEN Index page on Bloomberg, which is the Fed Funds Opening Rate as reported by Garban Intercapital (or a successor) on Bloomberg, or, if such rate does not appear on FEDSOPEN Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date will be the rate on such date displayed under the heading “Federal Funds” for the relevant Index Maturity and opposite the caption “Open” as such rate is displayed on Reuters on page 5 (or any other page as may replace such page on such service) (“Reuters Page 5”). If such rate is not displayed on FEDSOPEN Index page on Bloomberg or does not appear on Reuters Page 5 or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on the business day following on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date.

(iii) If “Federal Funds Target Rate” is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date shall be the rate on such date as displayed on the FDTR Index page on Bloomberg. If such rate does not appear on the FDTR Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be the rate for that day appearing on Reuters Page USFFTARGET= (or any other page as may replace such page on such service) (“Reuters Page USFFTARGET=”). If such rate does not appear on the FDTR Index page on Bloomberg or is not displayed on Reuters Page USFFTARGET= by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date.

LIBOR. If an Interest Rate Basis for this Senior Note is LIBOR, as specified on the face hereof, LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a “LIBOR Interest Determination Date”) in accordance with the following provisions:

(i) With regard to any Interest Determination Date, LIBOR will be the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified on the face hereof as such rate is displayed on Reuters on page LIBOR01 (or any other page as may replace such page on such service for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency ("Reuters Page LIBOR01") as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If no such rate appears, LIBOR on such LIBOR Interest Determination Date shall be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which no rate is displayed on Reuters Index Page LIBOR01 as specified in clause (i) above, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean calculated by the Calculation Agent of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean calculated by the Calculation Agent of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include the Dealers or their Affiliates) in such Principal Financial Center selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; *provided*, *however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means U.S. dollars unless a different currency is specified on the face hereof as to which LIBOR shall be calculated.

"Principal Financial Center" means (i) New York City for U.S. dollars, or if not U.S. dollars, the capital city of the country issuing the specified currency or (ii) the capital city of the country to which the Designated LIBOR Currency, if applicable, relates, except, in each case, that with respect to U.S. dollars, Australian dollars, Canadian dollars, euros, New Zealand dollars, South African rand and Swiss francs, the "Principal Financial Center" shall be New York City, Sydney, Toronto, The City of London (solely in the case of the Designated LIBOR Currency), Wellington, Johannesburg and Zurich, respectively.

Any provision contained herein, including the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to this Senior Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof. In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Senior Note will in no event be higher than the maximum rate permitted by Pennsylvania law, as the same may be modified by United States law of general application. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. Unless otherwise specified on the face hereof, PNC Bank, National Association will be the Calculation Agent.

At the request of the holder hereof, the Calculation Agent shall provide to the holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date.

In case any Senior Note shall at any time become mutilated, destroyed, lost or stolen, and such Senior Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue and the Issuing and Paying Agent shall authenticate a new Senior Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Senior Note or in lieu of the Senior Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Senior Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Senior Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Senior Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Senior Note. If any Senior Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Senior Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Senior Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of, premium, if any, or interest on, this Senior Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor corporation, either directly or through the Bank or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The occurrence of any of the following events shall constitute an “Event of Default” with respect to this Senior Note: (i) default in the payment of any interest with respect to any of the Senior Notes issued by the Bank when due, which continues for 30 calendar days; (ii) default in the payment of any principal of, or premium, if any, on, any of the Senior Notes issued by the Bank when due; (iii) the entry by a court having jurisdiction in the premises or an administrative or governmental agency or body of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or (iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Senior Note may declare the principal amount of, and accrued interest and premium, if any, on, this Senior Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Senior Note may be waived by the holder hereof.

In the event of the appointment of a receiver, liquidator or conservator for the Bank, the FDIC as conservator or receiver has broad powers with respect to contracts, including the Senior Notes, in spite of any acceleration provision.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Senior Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation, banking association or other legal entity (collectively, the “corporation”) or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided, however* (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Senior Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Senior Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Senior Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Senior Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Senior Note and may be liquidated and dissolved.

Any action by the holder of this Senior Note shall bind all future holders of this Senior Note, and of any Senior Note issued in exchange or substitution herefor or in place hereof, in respect of anything done or permitted by the Bank or by the Issuing and Paying Agent in pursuance of such action.

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in Pittsburgh, Pennsylvania herein referred to as the "Senior Note Register") in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Senior Notes and of transfers of the Senior Notes.

The transfer of this Senior Note is registerable in the Senior Note Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Senior Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on this Senior Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

The Bank may, from time to time, without the consent of any holder, issue additional Senior Notes so as to form a single tranche with this Senior Note. Any such additional Senior Notes will be "fungible" with this Senior Note for U.S. Federal income tax purposes. As used herein, "tranche" means all Senior Notes that have the same maturity date, interest payment basis, interest payment dates, if any, and other terms, except for the original issue date, issue price and initial interest payment date, if applicable.

No service charge shall be made to a holder of this Senior Note for any transfer or exchange of this Senior Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Beneficial interests represented by this Senior Note are exchangeable for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as depositary (the "Depositary") notifies the Bank that it is unwilling or unable to continue as Depositary for this Senior Note or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by the Bank within 90 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this

Senior Note. Any Senior Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof. Such definitive Senior Notes shall be registered in the name or names of such person or persons as the Depositary shall instruct the Issuing and Paying Agent.

This Senior Note may be amended, modified or supplemented by the Bank and the Issuing and Paying Agency Agreement may be amended, modified or supplemented by the Bank and the Issuing and Paying Agent, (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein or therein, (b) to make any further modifications of the terms of the Issuing and Paying Agency Agreement necessary or desirable to allow for the issuance of any additional Senior Notes (which modifications shall not be materially adverse to Holders of Senior Notes that are then outstanding); (c) to conform any provision of this Senior Note to the description thereof contained in the Offering Circular and any Pricing Supplement related to the offering of this Senior Note, or (d) in any manner that the Bank and, in the case of the Issuing and Paying Agency Agreement, the Issuing and Paying Agent may deem necessary or desirable and which the Bank determines, as evidenced by an opinion of counsel delivered to the Issuing and Paying Agent, will not materially adversely affect the interests of the Holders of the then outstanding Senior Notes, to all of which each Holder of Senior Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the Holders of at least 66-2/3% of the principal amount of the Senior Notes to be affected thereby, the Bank and the Issuing and Paying Agent may from time to time and at any time enter into agreements modifying, amending or supplementing in any other respect the Issuing and Paying Agency Agreement or the provisions of this Senior Note for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Issuing and Paying Agency Agreement or of modifying in any manner the rights of the Holders of this Senior Note; provided, however, that no such modification, amendment or supplement may, without the consent of the Holder of each Senior Note then outstanding and affected thereby, (i) change the stated maturity date with respect to this Senior Note or reduce or cancel the amount payable at maturity, (ii) reduce the amount payable or modify the payment date for any interest with respect to this Senior Note or vary the method of calculating the rate of interest with respect to this Senior Note, (iii) reduce any minimum interest rate and/or maximum interest rate (as such terms are defined in the Offering Circular, any applicable Global Senior Bank Note or any Pricing Supplement) with respect to this Senior Note, (iv) modify the currency in which payments under this Senior Note appertaining hereto are to be made, (v) reduce the percentage in principal amount of outstanding Senior Notes the consent of the Holders of which is necessary to modify or amend the Issuing and Paying Agency Agreement, or (vi) materially modify the redemption provisions relating to the redemption price or redemption date with respect to this Senior Note. Any instrument given by or on behalf of any Holder of this Senior Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of this Senior Note. Any modifications, amendments or waivers to the Issuing and Paying Agency Agreement or the provisions of this Senior Note will be conclusive and binding on all Holders this Senior Note, whether or not notation of such modifications, amendments or waivers is made upon this Senior Note. It will not be necessary for the consent of the Holders of this Senior Note to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. Senior Notes authenticated and delivered after the execution of any modification, amendment or supplement to the Issuing and Paying Agency Agreement may bear a notation as to any matter provided for in that modification, amendment or supplement. New Senior Notes modified as to conform, in the opinion of the Bank and that of the Issuing and Paying Agent, as applicable, to any modification contained in any amendment may be prepared by the Bank, authenticated by the Issuing and Paying Agent, and delivered in exchange for the Senior Notes then outstanding. If the Bank and the Issuing and Paying Agent effect any modification, amendment or supplement to the provisions of this Senior Note, the Bank will have no obligation to make a similar modification, amendment or supplement to any other Senior Note, irrespective of the Series to which the other Senior Note may belong. Neither the Bank nor any affiliate of the Bank may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Issuing and Paying Agency Agreement or any Senior Notes unless such consideration is offered to all Holders whose Senior Notes would be subject to such consent, waiver or amendment and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

Prior to due presentment of this Senior Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Senior Note is registered as the owner hereof for all purposes, whether or not this Senior Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Senior Note shall be in writing and addressed to the Bank at Three PNC Plaza, Three PNC Plaza, 225 Fifth Avenue, 6th Floor, Pittsburgh, Pennsylvania 15222, Attention: Lisa Kovac, or to such other address of the Bank as the Bank may notify the holder of this Senior Note.

This Senior Note shall be governed by, and construed in accordance with, the laws of the State of Pennsylvania (without regard to conflicts of laws principles) and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Senior Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	—	as tenants in common
TEN ENT	—	as tenants by the entireties
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — ______________________ Custodian ______________________

(Cust) (Minor)

under Uniform Gifts to Minors Act

____

(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto ____________________

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Please print or typewrite name and address, including postal zip code, of assignee)

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer said Senior Note on the books of the Issuing and Paying Agent, with full power of substitution in the premises.

Dated: ____________________

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Senior Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Senior Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at

____ .

(Please print or typewrite name and address of the undersigned)

For this Senior Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Securities Settlement, or at such other place or places of which the Bank shall from time to time notify the holder of this Senior Note, not more than 60 days nor less than 30 days prior to the date of repayment, with this “Option to Elect Repayment” form duly completed.

If less than the entire principal amount of this Senior Note is to be repaid, specify the portion hereof (which shall be increments of $1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be $250,000 or an integral multiple of $1,000 in excess thereof) of the Senior Notes to be issued to the holder for the portion of this Senior Note not being repaid (in the absence of any such specification, one such Senior Note will be issued for the portion not being repaid):

$ ______________________________

Dated: ______________________________

____

NOTICE: The signature on this “Option to Elect Repayment” form must correspond with the name, as written upon the face of the within Senior Note in every particular, without alteration or enlargement or any change whatsoever.

____

Signature Guarantee

Exhibit B-3

(Form of Fixed Rate Global Subordinated Bank Note)

THIS SUBORDINATED NOTE IS AN OBLIGATION SOLELY OF PNC BANK, NATIONAL ASSOCIATION (THE “BANK”) AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY AFFILIATE THEREOF OTHER THAN THE BANK. THE OBLIGATIONS EVIDENCED BY THIS SUBORDINATED NOTE ARE SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND OTHER CREDITORS (INCLUDING, WITHOUT LIMITATION, GENERAL CREDITORS) OF THE BANK, INCLUDING CLAIMS OF HOLDERS OF ANY SENIOR NOTES AND THE BANK’S OTHER SENIOR CREDITORS AND ARE NOT SECURED. IN ADDITION, THIS SUBORDINATED NOTE IS NOT ELIGIBLE TO BE USED AS COLLATERAL TO SECURE A LOAN FROM THE BANK. THIS SUBORDINATED NOTE IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

UNLESS THIS SUBORDINATED NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (55 WATER STREET, NEW YORK, NEW YORK) (THE “DEPOSITARY”) TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SUBORDINATED NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCHAS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SUBORDINATED NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF $250,000 AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SUBORDINATED NOTE MUST BE AN INVESTOR WHO IS AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN A $250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF OF THIS SUBORDINATED NOTE AT ALL TIMES.

No. FXR-
CUSIP NO.: REGISTERED

GLOBAL SUBORDINATED BANK NOTE
(Fixed Rate)

ORIGINAL ISSUE DATE:	PRINCIPAL AMOUNT:
INTEREST RATE: %	MATURITY DATE[1]:
INTEREST PAYMENT DATE(S): [ ] At Maturity only [ ] and of each year [ ] Other:	INITIAL INTEREST PAYMENT DATE:

REGULAR RECORD DATES (if other than the fifteenth calendar day (whether or not a Business Day) next preceding the applicable Interest Payment Date):

INITIAL REDEMPTION DATE:	INITIAL REDEMPTION PERCENTAGE:
ANNUAL REDEMPTION PERCENTAGE REDUCTION:	HOLDER'S OPTIONAL REPAYMENT DATE(S)[2]:
DAY COUNT CONVENTION [ ] 30/360 [ ] OTHER:	
ADDENDUM ATTACHED: [ ] Yes [ ] No	ORIGINAL ISSUE DISCOUNT: [ ] Yes [ ] No
DEFAULT RATE: % OTHER PROVISIONS:	Total Amount of OID: Yield to Maturity: Initial Accrual Period:

1 *The Maturity Date will be five years or more from the Original Issue Date.*
2 *No repayment will be made without the prior written approval of the Office of the Comptroller of the Currency (the "OCC") if such approval is then required under applicable law, regulations or regulatory guidelines (including, without limitation, the applicable capital regulations and guidelines of the OCC).*

PNC Bank, National Association (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of United States Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest in arrears thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Subordinated Note (or any predecessor Subordinated Note) has been paid or duly provided for on the Interest Payment Date or Dates specified above (each, an "Interest Payment Date"), and at maturity or upon earlier redemption or repayment, if applicable, commencing on the Initial Interest Payment Date specified above at the Interest Rate per annum specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Subordinated Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on the Regular Record Date, which unless otherwise specified above shall be the fifteenth calendar day (whether or not a Business Day (as defined below)) next preceding the applicable Interest Payment Date (a "Regular Record Date"); *provided*, *however*, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and will instead be payable to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") determined by the Issuing and Paying Agent (as defined below), notice of which shall be given to the holders of Subordinated Notes not less than 10 calendar days prior to such Special Record Date.

Payment of principal of, premium, if any, and interest on, this Subordinated Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (which may be the Bank) (the "Issuing and Paying Agent," which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Subordinated Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in New York City or in the city in which the Bank is headquartered (the "Place of Payment"), where this Subordinated Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Subordinated Note may be served. The Bank has initially appointed PNC Bank, National Association as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements. The Bank may resign as or remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

Payment of principal of, premium, if any, and interest on, this Subordinated Note due at maturity or upon earlier redemption or repayment, if applicable, will be made in immediately available funds upon presentation and surrender of this Subordinated Note to the Issuing and Paying Agent at the Issuing and Paying Agent Office; provided that this Subordinated Note is presented to the Issuing and Paying Agent in time for the Issuing and Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Subordinated Note (other than at maturity or upon earlier redemption or repayment) will be made by wire transfer to such account as has been appropriately designated to the Issuing and Paying Agent by the person entitled to such payments.

Reference herein to “this Subordinated Note”, “hereof”, “herein” and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Subordinated Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Bank has caused this Subordinated Note to be duly executed.

PNC BANK, NATIONAL ASSOCIATION

By: ______________________________
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Subordinated Notes referred to in the Issuing and Paying Agency Agreement.

PNC BANK, NATIONAL ASSOCIATION,
as the Issuing and Paying Agent

By: ______________________________
Authorized Signatory

[Reverse]

This Subordinated Note is one of a duly authorized issue of Subordinated Bank Notes of the Bank due five years or more from date of issue (the "Subordinated Notes").

Payments of interest hereon will include interest accrued to but excluding the relevant Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. Unless otherwise specified on the face hereof, interest on this Subordinated Note will be computed on the basis of a 360-day year of twelve 30-day months.

Any provision contained herein with respect to the calculation of the rate of interest applicable to this Subordinated Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

If any Interest Payment Date, Maturity Date or date of earlier redemption or repayment of this Subordinated Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and any interest on, this Subordinated Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Maturity Date or date of earlier redemption or repayment, as the case may be. "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in New York City and in Pittsburgh, Pennsylvania is not a day on which banking institutions are authorized or required by law, regulation or executive order to close.

The indebtedness of the Bank evidenced by this Subordinated Note, including principal, premium, if any, and interest, is unsecured and subordinate and junior in right of payment to the Bank's obligations to its depositors (including uninsured depositors), its obligations under bankers' acceptances and letters of credit, its obligations to senior creditors (including obligations to holders of senior notes and general creditors and any obligations to any Federal Reserve Bank, the Federal Deposit Insurance Corporation (the "FDIC"), any Federal Home Loan Bank and any rights acquired by the FDIC as a result of loans made by the FDIC to the Bank or the purchase or guarantee of any of its assets by the FDIC, pursuant to the provisions of 12 U.S.C. Section 1823(c), (d) or (e)), its obligations with respect to claims under its other senior obligations, including its obligations under any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate futures or option contracts, or other financial agreement or arrangement designed to protect against fluctuations in interest rates or foreign exchange currencies, and any guarantees, endorsements (other than by endorsement of negotiable instruments for collection in the ordinary course of business) or other similar obligations in respect of such senior obligations, in each case whether such obligations are outstanding at this date or are hereafter incurred, other than any obligations which by their express terms rank on a parity with, or junior to, the Subordinated Notes. In addition, the Subordinated Notes may be fully subordinated to interests held by the U.S. government in the event the Bank or The PNC Financial Services Group, Inc., its parent company, enters into any receivership, insolvency, liquidation, or similar proceeding.

In case of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of or relating to the Bank, whether voluntary or involuntary, all such obligations (except obligations which rank on a parity with, or junior to, the Subordinated Notes) shall be entitled to be paid in full before any payment shall be made on account of the principal of, premium, if any, or interest on this Subordinated Note. In the event of any such proceeding, after payment in full of all sums owing with respect to such prior obligations, the holder of this Subordinated Note, together with any obligations of the Bank ranking on a parity with this Subordinated Note, shall be entitled to be paid from the remaining assets of the Bank, the unpaid principal, premium, if any, and interest on this Subordinated Note and such other obligations, as applicable, before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to this Subordinated Note.

This Subordinated Note will not be subject to any sinking fund. If so provided on the face of this Subordinated Note and subject to the prior approval, if then required, of the Office of the Comptroller of the Currency (the "OCC"), this Subordinated Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Subordinated Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, and subject to the prior approval, if then required, of the OCC, this Subordinated Note may be redeemed in increments of $1,000 (provided that any remaining principal amount hereof shall be at least $250,000 and no owner of a beneficial interest in this Subordinated Note shall hold a beneficial interest of less than $250,000 principal amount) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Subordinated Notes at any time outstanding are to be redeemed, the terms of the Subordinated Notes to be so redeemed shall be selected by the Bank. If less than all the Subordinated Notes with identical terms at any time outstanding are to be redeemed, the Subordinated Notes to be so redeemed shall be selected by the Issuing and Paying Agent pro rata, by lot or in any usual manner approved by it or required by the Depositary. In the event of redemption of this Subordinated Note in part only, a new Subordinated Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. The Issuing and Paying Agent is not required to register the transfer of or exchange of any Subordinated Note that has been called for redemption in whole or in part, except the unredeemed portion of the Subordinated Notes being redeemed in part, during a period beginning at the opening of business 15 calendar days before the day of mailing of a notice of such redemption and ending at the close of business on the day of such mailing.

The "Redemption Price" in an optional redemption described in the preceding paragraph shall initially be the Initial Redemption Percentage specified on the face hereof of the principal amount of this Subordinated Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

In addition, the Bank may redeem this Subordinated Note in whole but not in part at any time at a redemption price equal to the principal amount of the Note or, in the case of a Discount Note, equal to the amortized face amount as determined as of the date of redemption, together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to but excluding the date fixed for redemption ("Capital Treatment Event Redemption Date"), at any time within 90 days of a Capital Treatment Event. As used herein, "Capital Treatment Event" means the reasonable determination by the Bank that, as a result of any amendment to, or change in, including any announced proposed change in, the laws or regulations of the United States or any political subdivision thereof or therein; or any official or administrative pronouncement or action or judicial decision interpreting such laws or regulations; which amendment or change is effective or which proposed change, pronouncement, action or decision is announced on or after the date hereof, there is more than an insubstantial risk that the Bank will not be entitled to treat an amount equal to the principal amount of this Subordinated Note as Tier 2 capital, or the equivalent thereof, for purposes of the capital adequacy guidelines as in effect and applicable to the Bank on the Original Issue Date. In the event of a redemption for a Capital Treatment Event, the Bank will give irrevocable notice of its intention to redeem this Subordinated Note not more than 60 nor less than 30 days prior to the Capital Treatment Event Redemption Date.

From and after any Redemption Date or Capital Treatment Event Redemption Date, if monies for the redemption of this Subordinated Note have been made available for redemption on the applicable redemption date, this Subordinated Note will cease to bear interest, if applicable, and the only right of the holders of the Subordinated Notes shall be to receive payment of the principal amount or, in the case of a Discount Note, the amortized face amount, together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to the Capital Treatment Event Redemption Date.

This Subordinated Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof either in whole or in part on any Holder's Optional Repayment Date(s), if any, specified on the face hereof; provided that no repayment shall occur earlier than five years after the Original Issue Date and this Subordinated Note will not be repayable prior to Maturity without the prior approval of the OCC if then required under applicable law, regulations or regulatory guidelines (including, without limitation, the applicable capital regulations and guidelines of the OCC). If no Holder's Optional Repayment Date is specified on the face hereof, this Subordinated Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder's Optional Repayment Date, if any, this Subordinated Note will be repayable in whole or in part in increments of $1,000 (provided that any remaining principal amount hereof will be at least $250,000 and no owner of a beneficial interest in this Subordinated Note will hold a beneficial interest of less than $250,000 principal amount) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Subordinated Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Subordinated Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements, or at such other address which the Bank shall from time to time notify the holders of the Subordinated Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Subordinated Note in part only, a new Subordinated Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

In case any Subordinated Note shall at any time become mutilated, destroyed, lost or stolen, and such Subordinated Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue and the Issuing and Paying Agent shall authenticate a new Subordinated Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Subordinated Note or in lieu of the Subordinated Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Subordinated Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Subordinated Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Subordinated Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Subordinated Note. If any Subordinated Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Subordinated Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Subordinated Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of, premium, if any, or interest on, this Subordinated Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor corporation, either directly or through the Bank or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

An “Event of Default” with respect to this Subordinated Note will occur only upon: (i) the entry by a court having jurisdiction in the premises or an administrative or governmental agency or body of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days or (ii) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable

United States federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Subordinated Note may declare the principal amount of, and accrued interest and premium, if any, on, this Subordinated Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Subordinated Note may be waived by the holder hereof.

Payment of principal on this Subordinated Note may be accelerated only in the case of an Event of Default. There is no right of acceleration in the case of a default in the payment of principal of, premium, if any, or interest on, this Subordinated Note or in the performance of any other obligation of the Bank under this Subordinated Note or under any other security issued by the Bank.

Notwithstanding anything to the contrary in this Subordinated Note, to the extent then required under or pursuant to applicable laws or regulations (including, without limitation, applicable capital regulations) then in effect, no repayment pursuant to an acceleration of maturity may be made on this Subordinated Note without the prior approval of any bank supervisory authority having jurisdiction over the Bank and requiring such approval. In the event of the appointment of a receiver, liquidator or conservator for the Bank, the FDIC as conservator or receiver has broad powers with respect to contracts, including the Subordinated Notes, in spite of any acceleration provision.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Subordinated Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation, banking association or other legal entity (collectively, the "corporation") or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided*, *however* (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Subordinated Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Subordinated Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Subordinated Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Subordinated Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Subordinated Note and may be liquidated and dissolved.

Notwithstanding any other provision of this Subordinated Note, including specifically the provisions set forth herein relating to subordination, Events of Default and covenants of the Bank, it is expressly understood and agreed that any conservator or receiver or other similar official of the Bank shall have the right in the performance of his legal duties, and as part of any transaction or plan of reorganization or liquidation designed to protect or further the continued existence of the Bank or the rights of any parties or agencies with an interest in, or claim against, the Bank or its assets, to transfer or direct the transfer of the obligations of this Subordinated Note to any bank or bank holding company selected by such official which shall expressly assume the obligation of the due and punctual payment of the unpaid principal of, premium, if any, and interest on, this Subordinated Note and the due and punctual performance of all covenants and conditions hereof; and that the completion of such transfer and assumption shall serve to supersede and void any default, acceleration or subordination which may have occurred, or which may occur due or related to such transaction, plan, transfer or assumption pursuant to the provisions of this Subordinated Note, and shall serve to return the holder hereof to the same position, other than for substitution of the obligor, it would have occupied had no default, acceleration or subordination occurred; except that any interest and principal previously due, other than by reason of acceleration, and not paid shall, in the absence of a contrary agreement by the holder of this Subordinated Note, be deemed to be immediately due and payable as of the date of such transfer and assumption, together with interest from its original due date at the rate provided for herein.

Any action by the holder of this Subordinated Note shall bind all future holders of this Subordinated Note, and of any Subordinated Note issued in exchange or substitution herefor or in place hereof, in respect of anything done or permitted by the Bank or by the Issuing and Paying Agent in pursuance of such action.

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in Pittsburgh, Pennsylvania, herein referred to as the “Subordinated Note Register”) in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Subordinated Notes and of transfers of the Subordinated Notes.

The transfer of this Subordinated Note is registerable in the Subordinated Note Register, upon surrender of this Subordinated Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Subordinated Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Subordinated Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on, this Subordinated Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

The Bank may, from time to time, without the consent of any holder, issue additional Subordinated Notes so as to form a single tranche with this Subordinated Note. Any such additional Subordinated Notes will be "fungible" with this Subordinated Note for U.S. Federal income tax purposes. As used herein, "tranche" means all Subordinated Notes that have the same maturity date, interest payment basis, interest payment dates, if any, and other terms, except for the original issue date, issue price and initial interest payment date, if applicable.

In the event of the failure by the Bank to make payment of principal of, premium, if any, or interest on this Subordinated Note (and, in the case of payment of interest, such failure to pay shall have continued for 2 days), the Bank will, upon written demand of the holder of this Subordinated Note, pay to the holder of this Subordinated Note the whole amount then due and payable (without acceleration) on this Subordinated Note for principal, premium, if any, and interest, with interest on the overdue principal of, premium, if any, and interest on, this Subordinated Note to the extent provided for herein. If the Bank fails to pay such amount upon such demand, the holder of this Subordinated Note may, among other things, institute a judicial proceeding for the collection of such amount.

No service charge shall be made to a holder of this Subordinated Note for any transfer or exchange of this Subordinated Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Beneficial interests represented by this Subordinated Note are exchangeable for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as depositary (the "Depositary") notifies the Bank that it is unwilling or unable to continue as Depositary for this Subordinated Note or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by the Bank within 90 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Subordinated Note. Any Subordinated Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof. Such definitive Subordinated Notes shall be registered in the name or names of such person or persons as the Depositary shall instruct the Issuing and Paying Agent.

This Subordinated Note may be amended, modified or supplemented by the Bank and the Issuing and Paying Agency Agreement may be amended, modified or supplemented by the Bank and the Issuing and Paying Agent, (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein or therein, (b) to make any further modifications of the terms of the Issuing and Paying Agency Agreement necessary or desirable to allow for the issuance of any additional Subordinated Notes (which modifications shall not be materially adverse to Holders of Subordinated Notes that are then outstanding); (c) to conform any provision of this Subordinated Note to the description thereof contained in the Offering Circular and any Pricing Supplement related to the offering of this Subordinated Note, or (d) in any manner that the Bank and, in the case of the Issuing and Paying Agency Agreement, the Issuing and Paying Agent may deem necessary or desirable and which the Bank determines, as evidenced by an opinion of counsel delivered to the Issuing and Paying Agent, will not materially adversely affect the interests of the Holders of the then outstanding Subordinated Notes, to all of which each Holder of Subordinated Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the Holders of at least 66-2/3% of the principal amount of the Subordinated Notes to be affected thereby, the Bank and the Issuing and Paying Agent may from time to time and at any time enter into agreements modifying, amending or supplementing in any other respect the Issuing and Paying Agency Agreement or the provisions of this Subordinated Note for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Issuing and Paying Agency Agreement or of modifying in any manner the rights of the Holders of this Subordinated Note; provided, however, that no such modification, amendment or supplement may, without the consent of the Holder of each Subordinated Note then outstanding and affected thereby, (i) change the stated maturity date with respect to this Subordinated Note or reduce or cancel the amount payable at maturity, (ii) reduce the amount payable or modify the payment date for any interest with respect to this Subordinated Note or vary the method of calculating the rate of interest with respect to this Subordinated Note, (iii) reduce any minimum interest rate and/or maximum interest rate (as such terms are defined in the Offering Circular, any applicable Global Subordinated Bank Note or any Pricing Supplement) with respect to this Subordinated Note, (iv) modify the currency in which payments under this Subordinated Note appertaining hereto are to be made, (v) reduce the percentage in principal amount of outstanding Subordinated Notes the consent of the Holders of which is necessary to modify or amend the Issuing and Paying Agency Agreement, or (vi) materially modify the redemption provisions relating to the redemption price or redemption date with respect to this Subordinated Note. Any instrument given by or on behalf of any Holder of this Subordinated Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of this Subordinated Note. Any modifications, amendments or waivers to the Issuing and Paying Agency Agreement or the provisions of this Subordinated Note will be conclusive and binding on all Holders this Subordinated Note, whether or not notation of such modifications, amendments or waivers is made upon this Subordinated Note. It will not be necessary for the consent of the Holders of this Subordinated Note to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. Subordinated Notes authenticated and delivered after the execution of any modification, amendment or supplement to the Issuing and Paying Agency Agreement may bear a notation as to any matter provided for in that modification, amendment or supplement. New Subordinated Notes modified as to conform, in the opinion of the Bank and that of the Issuing and Paying Agent, as applicable, to any modification contained in any amendment may be prepared by the Bank, authenticated by the Issuing and Paying Agent, and delivered in exchange for the Subordinated Notes then outstanding. If the Bank and the Issuing and Paying Agent effect any modification, amendment or supplement to the provisions of this Subordinated Note, the Bank will have no obligation to make a similar modification, amendment or supplement to any other Subordinated Note, irrespective of the Series to which the other Subordinated Note may belong. Neither the Bank nor any affiliate of the Bank may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Issuing and Paying Agency Agreement or any Subordinated Notes unless such consideration is offered to all Holders whose Subordinated Notes would be subject to such consent, waiver or amendment and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

Prior to due presentment of this Subordinated Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Subordinated Note is registered as the owner hereof for all purposes, whether or not this Subordinated Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Subordinated Note shall be in writing and addressed to the Bank at Three PNC Plaza, Three PNC Plaza, 225 Fifth Avenue, 6th Floor, Pittsburgh, Pennsylvania 15222, Attention: Lisa Kovac, or to such other address of the Bank as the Bank may notify the holder of this Subordinated Note.

This Subordinated Note shall be governed by, and construed in accordance with, the laws of the State of Pennsylvania (without regard to conflicts of laws principles) and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Subordinated Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	—	as tenants in common
TEN ENT	—	as tenants by the entireties
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ______________________ Custodian ______________________

(Cust) (Minor)

under Uniform Gifts to Minors Act

____

(State)

Additional abbreviations may also be used
though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Subordinated Note and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer said Subordinated Note on the books of the Issuing and Paying Agent, with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Subordinated Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Subordinated Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at

____

(Please print or typewrite name and address of the undersigned)

For this Subordinated Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Securities Settlement, or at such other place or places of which the Bank shall from time to time notify the holder of this Subordinated Note, not more than 60 days nor less than 30 days prior to the date of repayment, with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Subordinated Note is to be repaid, specify the portion hereof (which shall be increments of $1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be $250,000 or an integral multiple of $1,000 in excess thereof) of the Subordinated Notes to be issued to the holder for the portion of this Subordinated Note not being repaid (in the absence of any such specification, one such Subordinated Note will be issued for the portion not being repaid):

$ ______________________________

Dated: ______________________________

____

NOTICE: The signature on this "Option to Elect Repayment" form must correspond with the name, as written upon the face of the within Subordinated Note in every particular, without alteration or enlargement or any change whatsoever.

____

Signature Guarantee

Exhibit B-4

(Form of Floating Rate Global Subordinated Bank Note)

THIS SUBORDINATED NOTE IS AN OBLIGATION SOLELY OF PNC BANK, NATIONAL ASSOCIATION (THE “BANK”) AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY AFFILIATE THEREOF OTHER THAN THE BANK. THE OBLIGATIONS EVIDENCED BY THIS SUBORDINATED NOTE ARE SUBORDINATED TO THE CLAIMS OF DEPOSITORS AND OTHER CREDITORS (INCLUDING, WITHOUT LIMITATION, GENERAL CREDITORS) OF THE BANK, INCLUDING CLAIMS OF HOLDERS OF ANY SENIOR NOTES AND THE BANK’S OTHER SENIOR CREDITORS AND ARE NOT SECURED. IN ADDITION, THIS SUBORDINATED NOTE IS NOT ELIGIBLE TO BE USED AS COLLATERAL TO SECURE A LOAN FROM THE BANK. THIS SUBORDINATED NOTE IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

UNLESS THIS SUBORDINATED NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (55 WATER STREET, NEW YORK, NEW YORK) (THE “DEPOSITARY”) TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SUBORDINATED NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCHAS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SUBORDINATED NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF $250,000 AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SUBORDINATED NOTE MUST BE AN INVESTOR WHO IS AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN A $250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF OF THIS SUBORDINATED NOTE AT ALL TIMES.

No. FLR-		REGISTERED

CUSIP NO.:

GLOBAL SUBORDINATED BANK NOTE
(Floating Rate)

ORIGINAL ISSUE DATE:	PRINCIPAL AMOUNT:
INITIAL INTEREST RATE: %	MATURITY DATE[3]:
INTEREST RATE BASIS OR BASES:	INDEX MATURITY:
IF LIBOR: Designated LIBOR Currency:	REGULAR RECORD DATES (if other than the fifteenth calendar day (whether or not a Business Day) next preceding the applicable Interest Payment Date):
	IF FED FUNDS: [ ] Federal Funds (Effective) Rate [ ] Federal Funds Open Rate [ ] Federal Funds Target Rate
INDEX CURRENCY:	
	SPREAD (PLUS OR MINUS) AND/OR SPREAD MULTIPLIER:
MAXIMUM INTEREST RATE:	MINIMUM INTEREST RATE:
INTEREST PAYMENT DATES:	INTEREST PAYMENT PERIOD:
INITIAL INTEREST PAYMENT DATE:	
INITIAL INTEREST RESET DATE:	INTEREST RESET PERIOD:
INTEREST RESET DATES:	CALCULATION AGENT (if other than PNC Bank, National Association):

3 *The Maturity Date will be five years or more from the Original Issue Date.*

INITIAL REDEMPTION DATE:

INITIAL REDEMPTION PERCENTAGE:

INTEREST CALCULATION:
[ ] Regular Floating Rate Subordinated Note
[ ] Floating Rate/Fixed Rate Subordinated Note
Fixed Rate Commencement Date:
Fixed Interest Rate:
[ ] Fixed Rate/Floating Rate Subordinated Note
Fixed Interest Rate:
Initial Interest Reset Date:

[ ] Step-Up Note:
Step-Up Rate Commencement Date:
Step-Up Rate Adjustment:

ADDENDUM ATTACHED:
[ ] Yes
[ ] No

OTHER PROVISIONS:

ANNUAL REDEMPTION PERCENTAGE REDUCTION:

HOLDER'S OPTIONAL REPAYMENT DATE(S)[4]:

DAY COUNT CONVENTION
[ ] 30/360 for the period from and including to but excluding .
[ ] Actual/360 for the period from and including to but excluding .

[ ] Actual/Actual for the period from and including to but excluding .

ORIGINAL ISSUE DISCOUNT:
[ ] Yes
[ ] No

Total Amount of OID:
Yield to Maturity:
Initial Accrual Period:

DEFAULT RATE: %

4 *No repayment will be made without the prior written approval of the Office of the Comptroller of the Currency (the "OCC") if such approval is then required under applicable law, regulations or regulatory guidelines (including, without limitation, the applicable capital regulations and guidelines of the OCC).*

PNC Bank, National Association (the “Bank”), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of United States Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest in arrears thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Subordinated Note (or any predecessor Subordinated Note) has been paid or duly provided for on the Interest Payment Date or Dates specified above (each, an “Interest Payment Date”), and at maturity or upon earlier redemption or repayment, if applicable, commencing on the Initial Interest Payment Date specified above, at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, if any, and such other terms specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Subordinated Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on the Regular Record Date, which unless otherwise specified above shall be the fifteenth calendar day (whether or not a Business Day (as defined below)) next preceding the applicable Interest Payment Date (a “Regular Record Date”); *provided*, *however*, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and will instead be payable to the person in whose name this Subordinated Note (or any predecessor Subordinated Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the “Special Record Date”) determined by the Issuing and Paying Agent (as defined below), notice of which shall be given to the holders of Subordinated Notes not less than 10 calendar days prior to such Special Record Date.

Payment of principal of, premium, if any, and interest on, this Subordinated Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (which may be the Bank) (the “Issuing and Paying Agent”, which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Subordinated Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the “Issuing and Paying Agency Agreement”) and having an office or agency (the “Issuing and Paying Agent Office”) in New York City or in the city in which the Bank is headquartered (the “Place of Payment”), where this Subordinated Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Subordinated Note may be served. The Bank has initially appointed PNC Bank, National Association as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements. The Bank may resign as or remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

Payment of principal of, premium, if any, and interest on, this Subordinated Note due at maturity or upon earlier redemption or repayment, if applicable, will be made in immediately available funds upon presentation and surrender of this Subordinated Note to the Issuing and Paying Agent at the Issuing and Paying Agent Office; *provided* that this Subordinated Note is presented to the Issuing and Paying Agent in time for the Issuing and Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Subordinated Note (other than at maturity or upon earlier redemption or repayment) will be made by wire transfer to such account as has been appropriately designated to the Issuing and Paying Agent by the person entitled to such payments.

Reference herein to “this Subordinated Note”, “hereof”, “herein” and comparable terms shall include an Addendum hereto if an Addendum is specified above.

Reference is hereby made to the further provisions of this Subordinated Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Bank has caused this Subordinated Note to be duly executed.

PNC BANK, NATIONAL ASSOCIATION

By: ______________________________
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Subordinated Notes referred to in the Issuing and Paying Agency Agreement.

PNC BANK, NATIONAL ASSOCIATION
as the Issuing and Paying Agent

By: ______________________________
Authorized Signatory

[Reverse]

This Subordinated Note is one of a duly authorized issue of Subordinated Bank Notes of the Bank due five years or more from date of issue (the "Subordinated Notes").

If any Interest Payment Date (other than an Interest Payment Date at the Maturity Date or date of earlier redemption or repayment of this Subordinated Note) would otherwise fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis is LIBOR, as specified on the face hereof, and such next Business Day falls in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown on the face hereof. If the Maturity Date or date of earlier redemption or repayment of this Subordinated Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and interest on, this Subordinated Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity Date or date of earlier redemption or repayment, as the case may be.

The indebtedness of the Bank evidenced by this Subordinated Note, including principal, premium, if any, and interest, is unsecured and subordinate and junior in right of payment to the Bank's obligations to its depositors (including uninsured depositors), its obligations under bankers' acceptances and letters of credit, its obligations to senior creditors (including obligations to holders of senior notes and general creditors and any obligations to any Federal Reserve Bank, the Federal Deposit Insurance Corporation (the "FDIC"), any Federal Home Loan Bank and any rights acquired by the FDIC as a result of loans made by the FDIC to the Bank or the purchase or guarantee of any of its assets by the FDIC, pursuant to the provisions of 12 U.S.C. Section 1823(c), (d) or (e)), its obligations with respect to claims under its other senior obligations, including its obligations under any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate futures or option contracts, or other financial agreement or arrangement designed to protect against fluctuations in interest rates or foreign exchange currencies, and any guarantees, endorsements (other than by endorsement of negotiable instruments for collection in the ordinary course of business) or other similar obligations in respect of such senior obligations, in each case whether such obligations are outstanding at this date or are hereafter incurred, other than any obligations which by their express terms rank on a parity with, or junior to, the Subordinated Notes. In addition, the Subordinated Notes may be fully subordinated to interests held by the U.S. government in the event the Bank or The PNC Financial Services Group, Inc., its parent company, enters into any receivership, insolvency, liquidation, or similar proceeding.

In case of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshalling of assets and liabilities or similar proceedings or any liquidation or winding-up of or relating to the Bank, whether voluntary or involuntary, all such obligations (except obligations which rank on a parity with, or junior to, the Subordinated Notes) shall be entitled to be paid in full before any payment shall be made on account of the principal of, premium, if any, or interest on this Subordinated Note. In the event of any such proceeding, after payment in full of all sums owing with respect to such prior obligations, the holder of this Subordinated Note, together with any obligations of the Bank ranking on a parity with this Subordinated Note, shall be entitled to be paid from the remaining assets of the Bank, the unpaid principal, premium, if any, and interest on this Subordinated Note and such other obligations, as applicable, before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Bank ranking junior to this Subordinated Note.

This Subordinated Note will not be subject to any sinking fund. If so provided on the face of this Subordinated Note and subject to the prior approval, if then required, of the Office of the Comptroller of the Currency (the "OCC"), this Subordinated Note may be redeemed by the Bank either in whole or in part on and after the Initial Redemption Date, if any, specified on the face hereof. If no Initial Redemption Date is specified on the face hereof, this Subordinated Note may not be redeemed prior to the Maturity Date. On and after the Initial Redemption Date, if any, and subject to the prior approval, if then required, of the OCC, this Subordinated Note may be redeemed in increments of $1,000 (provided that any remaining principal amount hereof shall be at least $250,000 and no owner of a beneficial interest in this Subordinated Note shall hold a beneficial interest of less than $250,000 principal amount) at the option of the Bank at the applicable Redemption Price (as defined below), together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to the date of redemption (each such date, a "Redemption Date"), on written notice given not more than 60 nor less than 30 calendar days prior to the Redemption Date to the registered holder hereof. Whenever less than all the Subordinated Notes at any time outstanding are to be redeemed, the terms of the Subordinated Notes to be so redeemed shall be selected by the Bank. If less than all the Subordinated Notes with identical terms at any time outstanding are to be redeemed, the Subordinated Notes to be so redeemed shall be selected by the Issuing and Paying Agent pro rata, by lot or in any usual manner approved by it or required by the Depositary. In the event of redemption of this Subordinated Note in part only, a new Subordinated Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. The Issuing and Paying Agent is not required to register the transfer of or exchange of any Subordinated Note that has been called for redemption in whole or in part, except the unredeemed portion of the Subordinated Notes being redeemed in part, during a period beginning at the opening of business 15 calendar days before the day of mailing of a notice of such redemption and ending at the close of business on the day of such mailing.

The "Redemption Price" in an optional redemption described in the preceding paragraph shall initially be the Initial Redemption Percentage specified on the face hereof of the principal amount of this Subordinated Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

In addition, the Bank may redeem this Subordinated Note in whole but not in part at any time at a redemption price equal to the principal amount of the Note or, in the case of a Discount Note, equal to the amortized face amount as determined as of the date of redemption, together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to but excluding the date fixed for redemption ("Capital Treatment Event Redemption Date"), at any time within 90 days of a Capital Treatment Event. As used herein, "Capital Treatment Event" means the reasonable determination by the Bank that, as a result of any amendment to, or change in, including any announced proposed change in, the laws or regulations of the United States or any political subdivision thereof or therein; or any official or administrative pronouncement or action or judicial decision interpreting such laws or regulations; which amendment or change is effective or which proposed change, pronouncement, action or decision is announced on or after the date hereof, there is more than an insubstantial risk that the Bank will not be entitled to treat an amount equal to the principal amount of this Subordinated Note as Tier 2 capital, or the equivalent thereof, for purposes of the capital adequacy guidelines as in effect and applicable to the Bank on the Original Issue Date. In the event of a redemption for a Capital Treatment Event, the Bank will give irrevocable notice of its intention to redeem this Subordinated Note not more than 60 nor less than 30 days prior to the Capital Treatment Event Redemption Date.

From and after any Redemption Date or Capital Treatment Event Redemption Date, if monies for the redemption of this Subordinated Note have been made available for redemption on the applicable redemption date, this Subordinated Note will cease to bear interest, if applicable, and the only right of the holders of the Subordinated Notes shall be to receive payment of the principal amount or, in the case of a Discount Note, the amortized face amount, together with unpaid interest accrued hereon at the applicable rate borne by this Subordinated Note to the Capital Treatment Event Redemption Date.

This Subordinated Note may be subject to repayment at the option of the holder hereof in accordance with the terms hereof either in whole or in part on any Holder's Optional Repayment Date(s), if any, specified on the face hereof; provided that no repayment shall occur earlier than five years after the Original Issue Date and this Subordinated Note will not be repayable prior to Maturity without the prior approval of the OCC if then required under applicable law, regulations or regulatory guidelines (including, without limitation, the applicable capital regulations and guidelines of the OCC). If no Holder's Optional Repayment Date is specified on the face hereof, this Subordinated Note will not be repayable at the option of the holder hereof prior to the Maturity Date. On any Holder's Optional Repayment Date, if any, this Subordinated Note will be repayable in whole or in part in increments of $1,000 (provided that any remaining principal amount hereof will be at least $250,000 and no owner of a beneficial interest in this Subordinated Note will hold a beneficial interest of less than $250,000 principal amount) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with accrued and unpaid interest hereon payable to the date of repayment. For this Subordinated Note to be repaid in whole or in part at the option of the holder hereof on a Holder's Optional Repayment Date, this Subordinated Note must be delivered, with the form entitled "Option to Elect Repayment" attached hereto duly completed, to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements, or at such other address which the Bank shall from time to time notify the holders of the Subordinated Notes, not more than 60 nor less than 30 calendar days prior to such Holder's Optional Repayment Date. In the event of repayment of this Subordinated Note in part only, a new Subordinated Note for the unrepaid portion hereof shall be issued in the name of the holder hereof upon the surrender hereof. Exercise of such repayment option by the holder hereof shall be irrevocable.

The interest rate borne by this Subordinated Note shall be determined as follows:

1. If this Subordinated Note is designated as a Regular Floating Rate Subordinated Note on the face hereof or if no designation is made for Interest Calculation on the face hereof, then, except as described below or in an Addendum hereto, this Subordinated Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Subordinated Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Subordinated Note is designated as a Fixed Rate/Floating Rate Subordinated Note on the face hereof, then, except as described below or in an Addendum hereto, this Subordinated Note shall bear interest at the Fixed Interest Rate specified on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Subordinated Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that (i) the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Fixed Interest Rate; and (ii) the interest rate in effect commencing on, and including, the Initial Interest Reset Date to but excluding the Stated Maturity Date or date of earlier redemption or repayment shall be at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof.

3. If this Subordinated Note is designated as a Floating Rate/Fixed Rate Subordinated Note on the face hereof, then, except as described below or in an Addendum hereto, this Subordinated Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Subordinated Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that (i) the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Initial Interest Rate; and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date to but excluding the Stated Maturity Date or date of earlier redemption or repayment shall be the Fixed Interest Rate, if such a rate is specified on the face hereof, or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

4. If this Subordinated Note is designated as a Step-Up Note on the face hereof, then, unless as otherwise described below or in an Addendum hereto, this Subordinated Note will bear interest at a fixed rate of interest in effect for the period from the Original Issue Date until the Initial Interest Reset Date, as specified on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Step-up Note is payable shall be increased as of each Interest Reset Date to a higher, predetermined rate as specified on the face hereof or in an Addendum hereto.

Notwithstanding the foregoing, if this Subordinated Note is designated on the face hereof as having an Addendum attached, this Subordinated Note shall bear interest in accordance with the terms described in such Addendum.

Except as set forth above or specified on the face hereof or in an Addendum hereto, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if LIBOR is an applicable Interest Rate Basis and if such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Unless otherwise specified on the face hereof, any interest payable on this Subordinated Note on any Interest Payment Date will equal the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified on the face hereof, if no interest has been paid), to but excluding the related Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be.

Unless otherwise specified on the face hereof, any accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the period for which interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such date will be computed by dividing the interest rate applicable to such day by 360 if the Federal Funds Rate or LIBOR is an applicable Interest Rate Basis. Unless otherwise specified on the face hereof, the interest factor for this Subordinated Note, if the interest rate is calculated with reference to two or more Interest Rate Bases, will be calculated in each period in the same manner as if only the applicable Interest Rate Bases specified on the face hereof applied.

The interest rate applicable to each day in an Interest Reset Period commencing on the related Interest Reset Date will be determined by the Calculation Agent as of the applicable Interest Determination Date and will be calculated by the Calculation Agent on or prior to the Calculation Date (as defined below), except with respect to LIBOR, which will be calculated on such Interest Determination Date. The “Interest Determination Date” with respect to the Federal Funds Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; and the “Interest Determination Date” with respect to LIBOR shall be the second London Banking Day (as defined below) immediately preceding the applicable Interest Reset Date, unless the Designated LIBOR Currency is British pounds sterling, in which case the “Interest Determination Date” will be the applicable Interest Reset Date. If the interest rate of this Subordinated Note is determined with reference to two or more Interest Rate Bases specified on the face hereof, the “Interest Determination Date” pertaining to this Subordinated Note shall be the latest Business Day which is at least two Business Days prior to the applicable Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined as of such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Unless otherwise specified on the face hereof, the “Calculation Date” pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. All calculations on this Subordinated Note shall be made by the Calculation Agent specified on the face hereof or such successor thereto as is duly appointed by the Bank. The determination of any interest rate by the Calculation Agent will be final and binding absent manifest error.

All percentages resulting from any calculation on this Subordinated Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (*e.g.*, 5.876545% (or 0.05876545) would be rounded to 5.87655% (or 0.0587655) and 5.876544% (or 0.05876544) would be rounded to 5.87654% (or 0.0587654)), and all dollar amounts used in or resulting from such calculation will be rounded, in the case of United States dollars, to the nearest cent or, in the case of a foreign currency, to the smallest denominational unit (with one-half cent being rounded upwards).

As used herein, “Business Day” means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in New York City and in Pittsburgh, Pennsylvania is not a day on which banking institutions are authorized or required by law, regulation or executive order to close and, if an Interest Rate Basis shown on the face hereof is LIBOR, is also a London Banking Day. As used herein, unless otherwise specified on the face hereof, “London Banking Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Federal Funds Rate. If an Interest Rate Basis for this Subordinated Note is the Federal Funds Rate, as specified on the face hereof, the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a “Federal Funds Rate Interest Determination Date”) in accordance with the following provisions:

(i) If “Federal Funds (Effective) Rate” is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date will be the Federal Funds Rate on such date for United States dollar federal funds as published in H.15(519) opposite the caption “Federal Funds (Effective)”, as such rate is displayed on the FEDL01 Index Page of Bloomberg L.P. (“Bloomberg”) or, if such rate is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Federal Funds (Effective).” If such rate does not appear on the FEDL01 Index Page on Bloomberg or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate with respect to such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent, prior to 9:00 A.M., New York City time, on the Business Day following such Federal Funds Rate Interest Determination Date; *provided*, *however*, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date. As used herein, "H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Federal Reserve Board.

(ii) If "Federal Funds Open Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date will be the Federal Funds Rate on such date displayed on the FEDSOPEN Index page on Bloomberg, which is the Fed Funds Opening Rate as reported by Garban Intercapital on Bloomberg, or, if such rate does not appear on FEDSOPEN Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date will be the rate on such date displayed under the heading "Federal Funds" for the relevant Index Maturity and opposite the caption "Open" as such rate is displayed on Reuters on page 5 (or any other page as may replace such page on such service) ("Reuters Page 5"). If such rate is not displayed on FEDSOPEN Index page on Bloomberg or does not appear on Reuters Page 5 or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on the business day following on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date.

(iii) If "Federal Funds Target Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date shall be the rate on such date as displayed on the FDTR Index page on Bloomberg. If such rate does not appear on the FDTR Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be the rate for that day appearing on Reuters Page USFFTARGET= (or any other page as may replace such page on such service) ("Reuters Page USFFTARGET="). If such rate does not appear on the FDTR Index page on Bloomberg or is not displayed on Reuters Page USFFTARGET= by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date.

LIBOR. If an Interest Rate Basis for this Subordinated Note is LIBOR, as specified on the face hereof, LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "LIBOR Interest Determination Date") in accordance with the following provisions:

(i) With regard to any Interest Determination Date, LIBOR will be the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified on the face hereof as such rate is displayed on Reuters on page LIBOR01 (or any other page as may replace such page on such service for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency ("Reuters Page LIBOR01") as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If no such rate appears, LIBOR on such LIBOR Interest Determination Date shall be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which no rate is displayed on Reuters Index Page LIBOR01 as specified in clause (i) above, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean calculated by the Calculation Agent of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean calculated by the Calculation Agent of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include the Dealers or their Affiliates) in such Principal Financial Center selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; *provided*, *however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

“Designated LIBOR Currency” means U.S. dollars unless a different currency is specified on the face hereof as to which LIBOR shall be calculated.

“Principal Financial Center” means (i) New York City for U.S. dollars, or if not U.S. dollars, the capital city of the country issuing the specified currency or (ii) the capital city of the country to which the Designated LIBOR Currency, if applicable, relates, except, in each case, that with respect to U.S. dollars, Australian dollars, Canadian dollars, euros, New Zealand dollars, South African rand and Swiss francs, the “Principal Financial Center” shall be New York City, Sydney, Toronto, The City of London (solely in the case of the Designated LIBOR Currency), Wellington, Johannesburg and Zurich, respectively.

Any provision contained herein, including the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to this Subordinated Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof. In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Subordinated Note will in no event be higher than the maximum rate permitted by Pennsylvania law, as the same may be modified by United States law of general application. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. Unless otherwise specified on the face hereof, PNC Bank, National Association will be the Calculation Agent.

At the request of the holder hereof, the Calculation Agent shall provide to the holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date.

In case any Subordinated Note shall at any time become mutilated, destroyed, lost or stolen, and such Subordinated Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue and the Issuing and Paying Agent shall authenticate a new Subordinated Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Subordinated Note or in lieu of the Subordinated Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Subordinated Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Subordinated Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Subordinated Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Subordinated Note. If any Subordinated Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Subordinated Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Subordinated Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of, premium, if any, or interest on, this Subordinated Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor corporation, either directly or through the Bank or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

An "Event of Default" with respect to this Subordinated Note will occur only upon: (i) the entry by a court having jurisdiction in the premises or an administrative or governmental agency or body of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days or (ii) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Subordinated Note may declare the principal amount of, and accrued interest and premium, if any, on, this Subordinated Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Subordinated Note may be waived by the holder hereof.

Payment of principal on this Subordinated Note may be accelerated only in the case of an Event of Default. There is no right of acceleration in the case of a default in the payment of principal of, premium, if any, or interest on, this Subordinated Note or in the performance of any other obligation of the Bank under this Subordinated Note or under any other security issued by the Bank.

Notwithstanding anything to the contrary in this Subordinated Note, to the extent then required under or pursuant to applicable laws or regulations (including, without

limitation, applicable capital regulations) then in effect, no repayment pursuant to an acceleration of maturity may be made on this Subordinated Note without the prior approval of any bank supervisory authority having jurisdiction over the Bank and requiring such approval. In the event of the appointment of a receiver, liquidator or conservator for the Bank, the FDIC as conservator or receiver has broad powers with respect to contracts, including the Subordinated Notes, in spite of any acceleration provision.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Subordinated Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation, banking association or other legal entity (collectively, the "corporation") or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided*, *however* (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Subordinated Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Subordinated Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Subordinated Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Subordinated Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Subordinated Note and may be liquidated and dissolved.

Notwithstanding any other provision of this Subordinated Note, including specifically the provisions set forth herein relating to subordination, Events of Default and covenants of the Bank, it is expressly understood and agreed that any conservator or receiver or other similar official of the Bank shall have the right in the performance of his legal duties, and as part of any transaction or plan of reorganization or liquidation designed to protect or further the continued existence of the Bank or the rights of any parties or agencies with an interest in, or claim against, the Bank or its assets, to transfer or direct the transfer of the obligations of this Subordinated Note to any bank or bank holding company selected by such official which shall expressly assume the obligation of the due and punctual payment of the unpaid principal of, premium, if any, and interest on, this Subordinated Note and the due and punctual performance of all covenants and conditions hereof; and that the completion of such transfer and assumption shall serve to supersede and void any default, acceleration or subordination which may have occurred, or which may occur due or related to such transaction, plan, transfer or assumption pursuant to the provisions of this Subordinated Note, and shall serve to return the holder hereof to the same position, other than for substitution of the obligor, it would have occupied had no default, acceleration or subordination occurred; except that any interest and principal previously due, other than by reason of acceleration, and not paid shall, in the absence of a contrary agreement by the holder of this Subordinated Note, be deemed to be immediately due and payable as of the date of such transfer and assumption, together with interest from its original due date at the rate provided for herein.

Any action by the holder of this Subordinated Note shall bind all future holders of this Subordinated Note, and of any Subordinated Note issued in exchange or substitution herefor or in place hereof, in respect of anything done or permitted by the Bank or by the Issuing and Paying Agent in pursuance of such action.

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in Pittsburgh, Pennsylvania herein referred to as the “Subordinated Note Register”) in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Subordinated Notes and of transfers of the Subordinated Notes.

The transfer of this Subordinated Note is registerable in the Subordinated Note Register, upon surrender of this Subordinated Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Subordinated Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Subordinated Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on this Subordinated Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

The Bank may, from time to time, without the consent of any holder, issue additional Subordinated Notes so as to form a single tranche with this Subordinated Note. Any such additional Subordinated Notes will be “fungible” with this Subordinated Note for U.S. Federal income tax purposes. As used herein, “tranche” means all Subordinated Notes that have the same maturity date, interest payment basis, interest payment dates, if any, and other terms, except for the original issue date, issue price and initial interest payment date, if applicable.

In the event of the failure by the Bank to make payment of principal of, premium, if any, or interest on this Subordinated Note (and, in the case of payment of interest, such failure to pay shall have continued for 2 days), the Bank will, upon written demand of the holder of this Subordinated Note, pay to the holder of this Subordinated Note the whole amount then due and payable (without acceleration) on this Subordinated Note for principal, premium, if any, and interest, with interest on the overdue principal of, premium, if any, and interest on, this Subordinated Note to the extent provided for herein. If the Bank fails to pay such amount upon such demand, the holder of this Subordinated Note may, among other things, institute a judicial proceeding for the collection of such amount.

No service charge shall be made to a holder of this Subordinated Note for any transfer or exchange of this Subordinated Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Beneficial interests represented by this Subordinated Note are exchangeable for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as depositary (the "Depositary") notifies the Bank that it is unwilling or unable to continue as Depositary for this Subordinated Note or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by the Bank within 90 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Subordinated Note. Any Subordinated Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Subordinated Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof. Such definitive Subordinated Notes shall be registered in the name or names of such person or persons as the Depositary shall instruct the Issuing and Paying Agent.

Prior to due presentment of this Subordinated Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Subordinated Note is registered as the owner hereof for all purposes, whether or not this Subordinated Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

This Subordinated Note may be amended, modified or supplemented by the Bank and the Issuing and Paying Agency Agreement may be amended, modified or supplemented by the Bank and the Issuing and Paying Agent, (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein or therein, (b) to make any further modifications of the terms of the Issuing and Paying Agency Agreement necessary or desirable to allow for the issuance of any additional Subordinated Notes (which modifications shall not be materially adverse to Holders of Subordinated Notes that are then outstanding); (c) to conform any provision of this Subordinated Note to the description thereof contained in the Offering Circular and any Pricing Supplement related to the offering of this Subordinated Note, or (d) in any manner that the Bank and, in the case of the Issuing and Paying Agency Agreement, the Issuing and Paying Agent may deem necessary or desirable and which the Bank determines, as evidenced by an opinion of counsel delivered to the Issuing and Paying Agent, will not materially adversely affect the interests of the Holders of the then outstanding Subordinated Notes, to all of which each Holder of Subordinated Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the Holders of at least 66-2/3% of the principal amount of the Subordinated Notes to be affected thereby, the Bank and the

Issuing and Paying Agent may from time to time and at any time enter into agreements modifying, amending or supplementing in any other respect the Issuing and Paying Agency Agreement or the provisions of this Subordinated Note for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Issuing and Paying Agency Agreement or of modifying in any manner the rights of the Holders of this Subordinated Note; provided, however, that no such modification, amendment or supplement may, without the consent of the Holder of each Subordinated Note then outstanding and affected thereby, (i) change the stated maturity date with respect to this Subordinated Note or reduce or cancel the amount payable at maturity, (ii) reduce the amount payable or modify the payment date for any interest with respect to this Subordinated Note or vary the method of calculating the rate of interest with respect to this Subordinated Note, (iii) reduce any minimum interest rate and/or maximum interest rate (as such terms are defined in the Offering Circular, any applicable Global Subordinated Bank Note or any Pricing Supplement) with respect to this Subordinated Note, (iv) modify the currency in which payments under this Subordinated Note appertaining hereto are to be made, (v) reduce the percentage in principal amount of outstanding Subordinated Notes the consent of the Holders of which is necessary to modify or amend the Issuing and Paying Agency Agreement, or (vi) materially modify the redemption provisions relating to the redemption price or redemption date with respect to this Subordinated Note. Any instrument given by or on behalf of any Holder of this Subordinated Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of this Subordinated Note. Any modifications, amendments or waivers to the Issuing and Paying Agency Agreement or the provisions of this Subordinated Note will be conclusive and binding on all Holders this Subordinated Note, whether or not notation of such modifications, amendments or waivers is made upon this Subordinated Note. It will not be necessary for the consent of the Holders of this Subordinated Note to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. Subordinated Notes authenticated and delivered after the execution of any modification, amendment or supplement to the Issuing and Paying Agency Agreement may bear a notation as to any matter provided for in that modification, amendment or supplement. New Subordinated Notes modified as to conform, in the opinion of the Bank and that of the Issuing and Paying Agent, as applicable, to any modification contained in any amendment may be prepared by the Bank, authenticated by the Issuing and Paying Agent, and delivered in exchange for the Subordinated Notes then outstanding. If the Bank and the Issuing and Paying Agent effect any modification, amendment or supplement to the provisions of this Subordinated Note, the Bank will have no obligation to make a similar modification, amendment or supplement to any other Subordinated Note, irrespective of the Series to which the other Subordinated Note may belong. Neither the Bank nor any affiliate of the Bank may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Issuing and Paying Agency Agreement or any Subordinated Notes unless such consideration is offered to all Holders whose Subordinated Notes would be subject to such consent, waiver or amendment and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

All notices to the Bank under this Subordinated Note shall be in writing and addressed to the Bank at Three PNC Plaza, Three PNC Plaza, 225 Fifth Avenue, 6th Floor, Pittsburgh, Pennsylvania 15222, Attention: Lisa Kovac, or to such other address of the Bank as the Bank may notify the holder of this Subordinated Note.

This Subordinated Note shall be governed by, and construed in accordance with, the laws of the State of Pennsylvania (without regard to conflicts of laws principles) and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Subordinated Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	—	as tenants in common
TEN ENT	—	as tenants by the entireties
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — __________________ Custodian __________________

(Cust) (Minor)

under Uniform Gifts to Minors Act

____

(State)

Additional abbreviations may also be used
though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Subordinated Note and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer said Subordinated Note on the books of the Issuing and Paying Agent, with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Subordinated Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Bank to repay this Subordinated Note (or portion hereof specified below) pursuant to its terms at a price equal to 100% of the principal amount hereof to be repaid, together with accrued and unpaid interest hereon, payable to the date of repayment, to the undersigned, at

____ .

(Please print or typewrite name and address of the undersigned)

For this Subordinated Note to be repaid, the undersigned must give to the Issuing and Paying Agent at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Securities Settlement, or at such other place or places of which the Bank shall from time to time notify the holder of this Subordinated Note, not more than 60 days nor less than 30 days prior to the date of repayment, with this "Option to Elect Repayment" form duly completed.

If less than the entire principal amount of this Subordinated Note is to be repaid, specify the portion hereof (which shall be increments of $1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be $250,000 or an integral multiple of $1,000 in excess thereof) of the Subordinated Notes to be issued to the holder for the portion of this Subordinated Note not being repaid (in the absence of any such specification, one such Subordinated Note will be issued for the portion not being repaid):

$ ______________________________________

Dated: ______________________________________

____

NOTICE: The signature on this "Option to Elect Repayment" form must correspond with the name, as written upon the face of the within Subordinated Note in every particular, without alteration or enlargement or any change whatsoever.

____

Signature Guarantee

EXHIBIT 4.28

Form of Extendible Floating Rate Global Senior Bank Note

THIS SENIOR NOTE IS AN OBLIGATION SOLELY OF PNC BANK, NATIONAL ASSOCIATION (THE “BANK”) AND WILL NOT BE AN OBLIGATION OF, OR OTHERWISE GUARANTEED BY, ANY OTHER BANK OR THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY AFFILIATE THEREOF OTHER THAN THE BANK. THE OBLIGATIONS EVIDENCED BY THIS SENIOR NOTE RANK EQUALLY WITH ALL OTHER UNSECURED AND UNSUBORDINATED INDEBTEDNESS OF THE BANK, EXCEPT FOR OBLIGATIONS (INCLUDING DOMESTIC (U.S.) DEPOSIT LIABILITIES) THAT ARE SUBJECT TO ANY PRIORITIES OR PREFERENCES UNDER APPLICABLE LAW. UNDER APPLICABLE LAW, CLAIMS OF CERTAIN CREDITORS OF THE BANK, INCLUDING HOLDERS OF DOMESTIC (U.S.) DEPOSITS, WOULD BE ENTITLED TO PRIORITY OVER THE CLAIMS OF GENERAL UNSECURED CREDITORS (SUCH AS THE HOLDERS OF THIS SENIOR NOTE) IN THE EVENT OF A LIQUIDATION OR OTHER RESOLUTION OF THE BANK. THIS SENIOR NOTE IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY. THE OBLIGATIONS UNDER THIS SENIOR NOTE ARE NOT SECURED.

UNLESS THIS SENIOR NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (55 WATER STREET, NEW YORK, NEW YORK) (THE “DEPOSITARY”) TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SENIOR NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCHAS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

THIS SENIOR NOTE IS ISSUABLE ONLY IN FULLY REGISTERED FORM IN MINIMUM DENOMINATIONS OF $250,000 AND INTEGRAL MULTIPLES OF $1,000 IN EXCESS THEREOF. EACH OWNER OF A BENEFICIAL INTEREST IN THIS SENIOR NOTE MUST BE AN INVESTOR WHO IS AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF RULE 501(A) UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IS REQUIRED TO HOLD A BENEFICIAL INTEREST IN A $250,000 PRINCIPAL AMOUNT OR ANY INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF OF THIS SENIOR NOTE AT ALL TIMES.

No. EXT- REGISTERED

CUSIP NO.:

GLOBAL SENIOR BANK NOTE
(Extendible Floating Rate)

ORIGINAL ISSUE DATE:

PRINCIPAL AMOUNT:

INITIAL INTEREST RATE: %

MATURITY DATE: See "Initial Maturity Date" in attached RIDER A.

INTEREST RATE BASIS OR BASES:

INDEX MATURITY:

IF LIBOR:
Designated LIBOR Currency:

REGULAR RECORD DATES (if other than the fifteenth calendar day (whether or not a Business Day) next preceding the applicable Interest Payment Date):

IF FED FUNDS:
- ☐ Federal Funds (Effective) Rate
- ☐ Federal Funds Open Rate
- ☐ Federal Funds Target Rate

INDEX CURRENCY:

SPREAD (PLUS OR MINUS) AND/OR SPREAD MULTIPLIER: See ADDENDUM

MAXIMUM INTEREST RATE:

MINIMUM INTEREST RATE:

INTEREST PAYMENT DATES:

INTEREST PAYMENT PERIOD:

INITIAL INTEREST PAYMENT DATE:

INITIAL INTEREST RESET DATE:

INTEREST RESET PERIOD:

INTEREST RESET DATES:

CALCULATION AGENT (if other than PNC Bank, National Association):

INITIAL REDEMPTION DATE:

ANNUAL REDEMPTION PERCENTAGE REDUCTION:

INITIAL REDEMPTION PERCENTAGE:

INTEREST CALCULATION:

- ☐ Regular Floating Rate Senior Note
- ☐ Floating Rate/Fixed Rate Senior Note
  - Fixed Rate Commencement Date:
  - Fixed Interest Rate:
- ☐ Fixed Rate/Floating Rate Senior Note
  - Fixed Interest Rate:
  - Initial Interest Reset Date:
- ☐ Step-Up Note:
  - Step-Up Rate Commencement Date:
  - Step-Up Rate Adjustment:

DAY COUNT CONVENTION

- ☐ 30/360 for the period from and including to but excluding .
- ☐ Actual/360 for the period from and including to but excluding .
- ☐ Actual/Actual for the period from and including to but excluding .

ADDENDUM ATTACHED:

- ☒ Yes
- ☐ No

ORIGINAL ISSUE DISCOUNT:

- ☐ Yes
- ☐ No

Total Amount of OID:
Yield to Maturity:
Initial Accrual Period:

OTHER PROVISIONS:

See attached RIDER A.

DEFAULT RATE: %

ADDENDUM

Spread:

The table below indicates the applicable spread to be added to the Interest Rate Basis for each of the periods described below:

PERIOD		SPREAD
From and including	to and excluding	basis points *plus* %
From and including	to and excluding	basis points *plus* %
From and including	to and excluding	basis points *plus* %
From and including	to and excluding	basis points *plus* %
From and including	to and excluding	basis points *plus* %

PNC Bank, National Association (the "Bank"), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of United States Dollars on the Maturity Date specified above (except to the extent redeemed or repaid prior to the Maturity Date) and to pay interest in arrears thereon from and including the Original Issue Date specified above or from and including the most recent interest payment date on which interest on this Senior Note (or any predecessor Senior Note) has been paid or duly provided for on the Interest Payment Date or Dates specified above (each, an "Interest Payment Date"), and at maturity or upon earlier redemption or repayment, if applicable, commencing on the Initial Interest Payment Date specified above, at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, if any, and such other terms specified above, until the principal hereof is paid or made available for payment, and (to the extent that the payment of such interest shall be legally enforceable) at the Default Rate per annum specified above on any overdue principal and premium, if any, and on any overdue installment of interest. If no Default Rate is specified above, the Default Rate shall be the Interest Rate on this Senior Note specified above. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will be paid to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on the Regular Record Date, which unless otherwise specified above shall be the fifteenth calendar day (whether or not a Business Day (as defined below)) next preceding the applicable Interest Payment Date (a "Regular Record Date"); *provided*, *however*, that interest payable at maturity or upon earlier redemption or repayment, if applicable, will be payable to the person to whom principal shall be payable. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the holder as of the close of business on such Regular Record Date, and will instead be payable to the person in whose name this Senior Note (or any predecessor Senior Note) is registered at the close of business on a special record date for the payment of such defaulted interest (the "Special Record Date") determined by the Issuing and Paying Agent (as defined below), notice of which shall be given to the holders of Senior Notes not less than 10 calendar days prior to such Special Record Date.

Payment of principal of, premium, if any, and interest on, this Senior Note will be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Bank will at all times appoint and maintain an issuing and paying agent (which may be the Bank) (the "Issuing and Paying Agent", which term shall include any successor Issuing and Paying Agent), authorized by the Bank to pay principal of, premium, if any, and interest on, this Senior Note on behalf of the Bank pursuant to an issuing and paying agency agreement (the "Issuing and Paying Agency Agreement") and having an office or agency (the "Issuing and Paying Agent Office") in New York City or in the city in which the Bank is headquartered (the "Place of Payment"), where this Senior Note may be presented or surrendered for payment and where notices, designations or requests in respect of payments with respect to this Senior Note may be served. The Bank has initially appointed PNC Bank, National Association as the Issuing and Paying Agent, with the Issuing and Paying Agent Office currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements. The Bank may resign as or remove the Issuing and Paying Agent pursuant to the terms of the Issuing and Paying Agency Agreement and may appoint a successor Issuing and Paying Agent.

Payment of principal of, premium, if any, and interest on, this Senior Note due at maturity or upon earlier redemption or repayment, if applicable, will be made in immediately available funds upon presentation and surrender of this Senior Note to the Issuing and Paying Agent at the Issuing and Paying Agent Office; *provided* that this Senior Note is presented to the Issuing and Paying Agent in time for the Issuing and Paying Agent to make such payment in accordance with its normal procedures. Payments of interest on this Senior Note (other than at maturity or upon earlier redemption or repayment) will be made by wire transfer to such account as has been appropriately designated to the Issuing and Paying Agent by the person entitled to such payments.

Reference herein to “this Senior Note”, “hereof”, “herein” and comparable terms shall include an Addendum hereto if an Addendum is specified above and shall include any Riders hereto if specified above.

Reference is hereby made to the further provisions of this Senior Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Bank has caused this Senior Note to be duly executed.

PNC BANK, NATIONAL ASSOCIATION

By: ______________________________
Authorized Signatory

Dated:

ISSUING AND PAYING AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the Issuing and Paying Agency Agreement.

PNC BANK, NATIONAL ASSOCIATION
as the Issuing and Paying Agent

By: ______________________________
Authorized Signatory

[Reverse]

This Senior Note is one of a duly authorized issue of Senior Bank Notes of the Bank due nine months or more from date of issue (the "Senior Notes").

If any Interest Payment Date (other than an Interest Payment Date at the Maturity Date or date of earlier redemption or repayment of this Senior Note) would otherwise fall on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis is LIBOR, as specified on the face hereof, and such next Business Day falls in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown on the face hereof. If the Maturity Date or date of earlier redemption or repayment of this Senior Note falls on a day which is not a Business Day, the related payment of principal of, premium, if any, and interest on, this Senior Note will be made on the next succeeding Business Day with the same force and effect as if made on the date such payment was due, and no interest shall accrue on the amount so payable for the period from and after such Maturity Date or date of earlier redemption or repayment, as the case may be.

This Senior Note will not be subject to any sinking fund. If so provided on the face of this Senior Note, this Senior Note may be redeemed by the Bank in whole, but not part, on the Initial Redemption Date, if any, specified on the face hereof. Any such redemption will apply to all outstanding Senior Notes of this series, whether or not the maturity of any or all of the Senior Notes have been extended. The Bank will provide notice to holders of its election to redeem the Senior Notes no more than 15 nor less than 10 calendar days prior to the Initial Redemption Date. If no Initial Redemption Date is specified on the face hereof, this Senior Note may not be redeemed prior to the Maturity Date.

The "Redemption Price" shall initially be the Initial Redemption Percentage specified on the face hereof of the principal amount of this Senior Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date specified on the face hereof by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

If this Senior Note is designated on the face hereof as having a Rider attached hereto, this Senior Note may be redeemed by the Bank in accordance with the terms described in such Rider.

The interest rate borne by this Senior Note shall be determined as follows:

1. If this Senior Note is designated as a Regular Floating Rate Senior Note on the face hereof or if no designation is made for Interest Calculation on the face hereof, then, except as described below or in an Addendum hereto, this Senior Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof. Commencing on the Initial Interest Reset Date, the

rate at which interest on this Senior Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Senior Note is designated as a Fixed Rate/Floating Rate Senior Note on the face hereof, then, except as described below or in an Addendum hereto, this Senior Note shall bear interest at the Fixed Interest Rate specified on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Senior Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that (i) the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Fixed Interest Rate; and (ii) the interest rate in effect commencing on, and including, the Initial Interest Reset Date to but excluding the Stated Maturity Date or date of earlier redemption or repayment shall be at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof.

3. If this Senior Note is designated as a Floating Rate/Fixed Rate Senior Note on the face hereof, then, except as described below or in an Addendum hereto, this Senior Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis or Bases shown on the face hereof (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Senior Note is payable shall be reset as of each Interest Reset Date specified on the face hereof; *provided*, *however*, that (i) the interest rate in effect for the period from the Original Issue Date to but excluding the Initial Interest Reset Date will be the Initial Interest Rate; and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date to but excluding the Stated Maturity Date or date of earlier redemption or repayment shall be the Fixed Interest Rate, if such a rate is specified on the face hereof, or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the Business Day immediately preceding the Fixed Rate Commencement Date.

4. If this Senior Note is designated as a Step-Up Note on the face hereof, then, unless as otherwise described below or in an Addendum hereto, this Senior Note will bear interest at a fixed rate of interest in effect for the period from the Original Issue Date until the Initial Interest Reset Date, as specified on the face hereof. Commencing on the Initial Interest Reset Date, the rate at which interest on this Step-up Note is payable shall be increased as of each Interest Reset Date to a higher, predetermined rate as specified on the face hereof or in an Addendum hereto.

Notwithstanding the foregoing, if this Senior Note is designated on the face hereof as having an Addendum attached, this Senior Note shall bear interest in accordance with the terms described in such Addendum.

Except as set forth above or specified on the face hereof or in an Addendum hereto, the interest rate in effect on each day shall be (i) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (ii) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the most recent Interest Reset Date. If any Interest Reset Date would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if LIBOR is an applicable Interest Rate Basis and if such Business Day falls in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding Business Day.

Unless otherwise specified on the face hereof, any interest payable on this Senior Note on any Interest Payment Date will equal the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified on the face hereof, if no interest has been paid), to but excluding the related Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be.

Unless otherwise specified on the face hereof, any accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor is computed by adding the interest factor calculated for each day in the period for which interest is being calculated. Unless otherwise specified on the face hereof, the interest factor for each such date will be computed by dividing the interest rate applicable to such day by 360 if the Federal Funds Rate or LIBOR is an applicable Interest Rate Basis. Unless otherwise specified on the face hereof, the interest factor for this Senior Note, if the interest rate is calculated with reference to two or more Interest Rate Bases, will be calculated in each period in the same manner as if only the applicable Interest Rate Bases specified on the face hereof applied.

The interest rate applicable to each day in an Interest Reset Period commencing on the related Interest Reset Date will be determined by the Calculation Agent as of the applicable Interest Determination Date and will be calculated by the Calculation Agent on or prior to the Calculation Date (as defined below), except with respect to LIBOR, which will be calculated on such Interest Determination Date. The “Interest Determination Date” with respect to the Federal Funds Rate will be the second Business Day immediately preceding the applicable Interest Reset Date; and the “Interest Determination Date” with respect to LIBOR shall be the second London Banking Day (as defined below) immediately preceding the applicable Interest Reset Date, unless the Designated LIBOR Currency is British pounds sterling, in which case the “Interest Determination Date” will be the applicable Interest Reset Date. If the interest rate of this Senior Note is determined with reference to two or more Interest Rate Bases specified on the face hereof, the “Interest Determination Date” pertaining to this Senior Note shall be the latest Business Day which is at least two Business Days prior to the applicable Interest Reset Date on which each Interest Rate Basis is determinable. Each Interest Rate Basis shall be determined as of such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Unless otherwise specified on the face hereof, the “Calculation Date” pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest

Determination Date or, if such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity Date or date of earlier redemption or repayment, as the case may be. All calculations on this Senior Note shall be made by the Calculation Agent specified on the face hereof or such successor thereto as is duly appointed by the Bank. The determination of any interest rate by the Calculation Agent will be final and binding absent manifest error.

All percentages resulting from any calculation on this Senior Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (*e.g.*, 5.876545% (or 0.05876545) would be rounded to 5.87655% (or 0.0587655) and 5.876544% (or 0.05876544) would be rounded to 5.87654% (or 0.0587654)), and all dollar amounts used in or resulting from such calculation will be rounded, in the case of United States dollars, to the nearest cent or, in the case of a foreign currency, to the smallest denominational unit (with one-half cent being rounded upwards).

As used herein, "Business Day" means, unless otherwise specified on the face hereof, any day that is not a Saturday or Sunday and that in New York City and in Pittsburgh, Pennsylvania is not a day on which banking institutions are authorized or required by law, regulation or executive order to close and, if an Interest Rate Basis shown on the face hereof is LIBOR, is also a London Banking Day. As used herein, unless otherwise specified on the face hereof, "London Banking Day" means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

<u>Federal Funds Rate</u>. If an Interest Rate Basis for this Senior Note is the Federal Funds Rate, as specified on the face hereof, the Federal Funds Rate shall be determined as of the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date") in accordance with the following provisions:

(i) If "Federal Funds (Effective) Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date will be the Federal Funds Rate on such date for United States dollar federal funds as published in H.15(519) opposite the caption "Federal Funds (Effective)", as such rate is displayed on the FEDL01 Index Page of Bloomberg L.P. ("Bloomberg") or, if such rate is not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date for United States dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)." If such rate does not appear on the FEDL01 Index Page on Bloomberg or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate with respect to such Federal Funds Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent, prior to 9:00 A.M., New York City time, on the Business Day following such Federal Funds Rate Interest Determination Date; *provided*, *however*, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date. As used herein, "H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Federal Reserve Board.

(ii) If "Federal Funds Open Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date will be the Federal Funds Rate on such date displayed on the FEDSOPEN Index page on Bloomberg, which is the Fed Funds Opening Rate as reported by Garban Intercapital (or a successor) on Bloomberg, or, if such rate does not appear on FEDSOPEN Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the rate with respect to such Federal Funds Rate Interest Determination Date will be the rate on such date displayed under the heading "Federal Funds" for the relevant Index Maturity and opposite the caption "Open" as such rate is displayed on Reuters on page 5 (or any other page as may replace such page on such service) ("Reuters Page 5"). If such rate is not displayed on FEDSOPEN Index page on Bloomberg or does not appear on Reuters Page 5 or another recognized electronic source by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on the business day following on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date.

(iii) If "Federal Funds Target Rate" is the specified Federal Funds Rate on the face hereof, the Federal Funds Rate as of the applicable Federal Funds Rate Interest Determination Date shall be the rate on such date as displayed on the FDTR Index page on Bloomberg. If such rate does not appear on the FDTR Index page on Bloomberg by 3:00 P.M., New York City time, on the Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date will be the rate for that day appearing on Reuters Page USFFTARGET= (or any other page as may replace such page on such service) ("Reuters Page USFFTARGET="). If such rate does not appear on the FDTR Index page on Bloomberg or is not displayed on Reuters Page USFFTARGET= by 3:00 P.M., New York City time, on the related Calculation Date, then the Federal Funds Rate on such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and will be the arithmetic mean of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of United States dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the Calculation Agent prior to 9:00 A.M., New York City time, on such Federal Funds Rate Interest Determination Date; provided, however, that if the brokers so selected by the Calculation Agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of such Federal Funds Rate Interest Determination Date will be the

Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date without giving effect to any resetting of the Federal Funds Rate on such Federal Funds Rate Interest Determination Date.

LIBOR. If an Interest Rate Basis for this Senior Note is LIBOR, as specified on the face hereof, LIBOR shall be determined by the Calculation Agent as of the applicable Interest Determination Date (a "LIBOR Interest Determination Date") in accordance with the following provisions:

(i) With regard to any Interest Determination Date, LIBOR will be the rate for deposits in the Designated LIBOR Currency having the Index Maturity specified on the face hereof as such rate is displayed on Reuters on page LIBOR01 (or any other page as may replace such page on such service for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR Currency ("Reuters Page LIBOR01") as of 11:00 A.M., London time, on such LIBOR Interest Determination Date. If no such rate appears, LIBOR on such LIBOR Interest Determination Date shall be determined in accordance with the provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which no rate is displayed on Reuters Index Page LIBOR01 as specified in clause (i) above, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Designated LIBOR Currency for the period of the Index Maturity, commencing on the related Interest Reset Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean calculated by the Calculation Agent of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR Interest Determination Date will be the arithmetic mean calculated by the Calculation Agent of the rates quoted at approximately 11:00 A.M., in the applicable Principal Financial Center, on such LIBOR Interest Determination Date by three major banks (which may include the Dealers or their Affiliates) in such Principal Financial Center selected by the Calculation Agent for loans in the Designated LIBOR Currency to leading European banks, having the Index Maturity and in a principal amount that is representative for a single transaction in the Designated LIBOR Currency in such market at such time; *provided*, *however*, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be LIBOR in effect on such LIBOR Interest Determination Date.

"Designated LIBOR Currency" means U.S. dollars unless a different currency is specified on the face hereof as to which LIBOR shall be calculated.

"Principal Financial Center" means (i) New York City for U.S. dollars, or if not U.S. dollars, the capital city of the country issuing the specified currency or (ii) the capital city of the country to which the Designated LIBOR Currency, if applicable, relates, except, in each case, that with respect to U.S. dollars, Australian dollars, Canadian dollars, euros, New Zealand dollars, South African rand and Swiss francs, the “Principal Financial Center” shall be New York City, Sydney, Toronto, The City of London (solely in the case of the Designated LIBOR Currency), Wellington, Johannesburg and Zurich, respectively.

Any provision contained herein, including the determination of an Interest Rate Basis, the specification of an Interest Rate Basis, calculation of the interest rate applicable to this Senior Note, its Interest Payment Dates or any other matter relating hereto may be modified as specified in an Addendum relating hereto if so specified on the face hereof.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified on the face hereof. In addition to any Maximum Interest Rate applicable hereto pursuant to the above provisions, the interest rate on this Senior Note will in no event be higher than the maximum rate permitted by Pennsylvania law, as the same may be modified by United States law of general application. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. Unless otherwise specified on the face hereof, PNC Bank, National Association will be the Calculation Agent.

At the request of the holder hereof, the Calculation Agent shall provide to the holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date.

In case any Senior Note shall at any time become mutilated, destroyed, lost or stolen, and such Senior Note or evidence of the loss, theft or destruction thereof satisfactory to the Bank and the Issuing and Paying Agent and such other documents or proof as may be required by the Bank and the Issuing and Paying Agent shall be delivered to the Issuing and Paying Agent, the Bank shall issue and the Issuing and Paying Agent shall authenticate a new Senior Note, of like tenor and principal amount, having a serial number not contemporaneously outstanding, in exchange and substitution for the mutilated Senior Note or in lieu of the Senior Note destroyed, lost or stolen but, in the case of any destroyed, lost or stolen Senior Note, only upon receipt of evidence satisfactory to the Bank and the Issuing and Paying Agent that such Senior Note was destroyed, stolen or lost, and, if required, upon receipt of indemnity satisfactory to the Bank and the Issuing and Paying Agent. Upon the issuance of any substituted Senior Note, the Bank and the Issuing and Paying Agent may require the payment of a sum sufficient to cover all expenses and reasonable charges connected with the preparation and delivery of a new Senior Note. If any Senior Note which has matured or has been redeemed or repaid or is about to mature or to be redeemed or repaid shall become mutilated, destroyed, lost or stolen, the Bank may, instead of issuing a substitute Senior Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Senior Note) upon compliance by the holder with the provisions of this paragraph.

No recourse shall be had for the payment of principal of, premium, if any, or interest on, this Senior Note for any claim based hereon, or otherwise in respect hereof, against any shareholder, employee, agent, officer or director, as such, past, present or future, of the Bank or of any successor corporation, either directly or through the Bank or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

The occurrence of any of the following events shall constitute an "Event of Default" with respect to this Senior Note: (i) default in the payment of any interest with respect to any of the Senior Notes issued by the Bank when due, which continues for 30 calendar days; (ii) default in the payment of any principal of, or premium, if any, on, any of the Senior Notes issued by the Bank when due; (iii) the entry by a court having jurisdiction in the premises or an administrative or governmental agency or body of (a) a decree or order for relief in respect of the Bank in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or (b) a decree or order appointing a conservator, receiver, liquidator, assignee, trustee, sequestrator or any other similar official of the Bank, or of substantially all of the property of the Bank, or ordering the winding up or liquidation of the affairs of the Bank, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or (iv) the commencement by the Bank of a voluntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated as bankrupt or insolvent, or the consent by the Bank to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable United States federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding, or the filing by the Bank of a petition or answer or consent seeking reorganization or relief under any applicable United States federal or state bankruptcy, insolvency, reorganization or similar law, or the consent by the Bank to the filing of such petition or to the appointment of or taking possession by a custodian, conservator, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Bank or of substantially all of the property of the Bank, or the making by the Bank of an assignment for the benefit of creditors, or the taking of corporate action by the Bank in furtherance of any such action. If an Event of Default shall occur and be continuing, the holder of this Senior Note may declare the principal amount of, and accrued interest and premium, if any, on, this Senior Note due and payable immediately by written notice to the Bank. Upon such declaration and notice, such principal amount, accrued interest and premium, if any, shall become immediately due and payable. Any Event of Default with respect to this Senior Note may be waived by the holder hereof.

In the event of the appointment of a receiver, liquidator or conservator for the Bank, the FDIC as conservator or receiver has broad powers with respect to contracts, including the Senior Notes, in spite of any acceleration provision.

The Issuing and Paying Agency Agreement provides that the Bank will promptly notify, and provide copies of any such notice to, the Issuing and Paying Agent, and the Issuing and Paying Agent will promptly mail by first-class mail, postage prepaid, copies of such notice to the holders of the Senior Notes, upon the occurrence of an Event of Default or of the curing or waiver of an Event of Default.

Nothing contained herein shall prevent any consolidation or merger of the Bank with any other corporation, banking association or other legal entity (collectively, the "corporation") or successive consolidations or mergers in which the Bank or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance, transfer or lease of the property of the Bank as an entirety or substantially as an entirety to any other corporation authorized to acquire and operate the same; *provided*, *however* (and the Bank hereby covenants and agrees) that any such consolidation, merger, sale or conveyance shall be upon the condition that: (i) immediately after such consolidation, merger, sale or conveyance the corporation (whether the Bank or such other corporation) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall not be in default in the performance or observance of any of the terms, covenants and conditions of this Senior Note to be observed or performed by the Bank; and (ii) the corporation (if other than the Bank) formed by or surviving any such consolidation or merger, or the corporation to which such sale or conveyance shall have been made, shall be organized under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on, this Senior Note. In case of any such consolidation, merger, sale, conveyance, transfer or lease, and upon the assumption by the successor corporation of the due and punctual performance of all of the covenants in this Senior Note to be performed or observed by the Bank, such successor corporation shall succeed to and be substituted for the Bank with the same effect as if it had been named in this Senior Note as the Bank and thereafter the predecessor corporation shall be relieved of all obligations and covenants in this Senior Note and may be liquidated and dissolved.

Any action by the holder of this Senior Note shall bind all future holders of this Senior Note, and of any Senior Note issued in exchange or substitution herefor or in place hereof, in respect of anything done or permitted by the Bank or by the Issuing and Paying Agent in pursuance of such action.

The Issuing and Paying Agent shall maintain at its offices a register (the register maintained in such office or any other office or agency of the Issuing and Paying Agent in Pittsburgh, Pennsylvania herein referred to as the “Senior Note Register”) in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration of the Senior Notes and of transfers of the Senior Notes.

The transfer of this Senior Note is registerable in the Senior Note Register, upon surrender of this Senior Note for registration of transfer at the office or agency of the Issuing and Paying Agent in the Place of Payment, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bank and the Issuing and Paying Agent duly executed by, the holder hereof or his attorney duly authorized in writing, and thereupon one or more new Senior Notes of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No provision of this Senior Note shall alter or impair the obligation of the Bank, which is absolute and unconditional, to pay principal of, premium, if any, and interest on this Senior Note in U.S. dollars at the times, places and rate herein prescribed in accordance with its terms.

The Bank may, from time to time, without the consent of any holder, issue additional Senior Notes so as to form a single tranche with this Senior Note. Any such additional Senior Notes will be “fungible” with this Senior Note for U.S. Federal income tax purposes. As used herein, “tranche” means all Senior Notes that have the same maturity date, interest payment basis, interest payment dates, if any, and other terms, except for the original issue date, issue price and initial interest payment date, if applicable.

No service charge shall be made to a holder of this Senior Note for any transfer or exchange of this Senior Note, but the Bank may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Beneficial interests represented by this Senior Note are exchangeable for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, only if (x) The Depository Trust Company, as depositary (the "Depositary") notifies the Bank that it is unwilling or unable to continue as Depositary for this Senior Note or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by the Bank within 90 days, or (y) the Bank in its sole discretion determines not to have such beneficial interests represented by this Senior Note. Any Senior Note representing such beneficial interests that is exchangeable pursuant to the preceding sentence shall be exchangeable in whole for definitive Senior Notes in registered form, of like tenor and of an equal aggregate principal amount, in minimum denominations of $250,000 and integral multiples of $1,000 in excess thereof. Such definitive Senior Notes shall be registered in the name or names of such person or persons as the Depositary shall instruct the Issuing and Paying Agent.

The Bank Notes may be amended, modified or supplemented by the Bank and this Agreement may be amended, modified or supplemented by the Bank and the Issuing and Paying Agent, (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein or herein, (b) to make any further modifications of the terms of this Agreement necessary or desirable to allow for the issuance of any additional Bank Notes (which modifications shall not be materially adverse to Holders of Bank Notes that are then outstanding); or (c) in any manner that the Bank and, in the case of this Agreement, the Issuing and Paying Agent may deem necessary or desirable and which the Bank determines, as evidenced by an opinion of counsel delivered to the Issuing and Paying Agent, will not materially adversely affect the interests of the Holders of the then outstanding Bank Notes, to all of which each Holder of Bank Notes shall, by acceptance thereof, be deemed to have consented. In addition, with the written consent of the Holders of at least 66-2/3% of the principal amount of the Bank Notes to be affected thereby, the Bank and the Issuing and Paying Agent may from time to time and at any time enter into agreements modifying, amending or supplementing in any other respect this Agreement or the provisions of the applicable Bank Notes for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of this Agreement or of modifying in any manner the rights of the Holders of such Bank Notes; *provided*, *however*, that no such modification, amendment or supplement may, without the consent of the Holder of each Bank Note then outstanding and affected thereby, (i) change the stated maturity date with respect to any Bank Note or reduce or cancel the amount payable at maturity, (ii) reduce the amount payable or modify the payment date for any interest with respect to any Bank Note or vary the method of calculating the rate of interest with respect to any Bank Note, (iii) reduce any minimum interest rate and/or maximum interest rate (as such terms are defined in the Offering Circular, any applicable Global Bank Note or any Pricing Supplement) with respect to any Bank Note, (iv) modify the currency in which payments under any Bank Note appertaining thereto are to be made, (v) reduce the percentage in principal amount of outstanding Bank Notes the consent of the Holders of which is necessary to modify or amend this Agreement, or (vi) materially modify the redemption provisions relating to the redemption price or redemption date with respect to any Bank Notes. Any instrument given by or on behalf of any Holder of a Bank Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Bank Note. Any modifications, amendments or waivers to this Agreement or the provisions of the Bank Notes will be conclusive and binding on all Holders of Bank Notes, whether or not notation of such modifications, amendments or waivers is made upon the Bank Notes. It will not be necessary for the consent of the Holders of Bank Notes to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. Bank Notes authenticated and delivered after the execution of any modification, amendment or supplement to this Agreement may bear a notation as to any matter provided for in that modification, amendment or supplement. New Bank Notes modified as to conform, in the opinion of the Bank and that of the Issuing and Paying Agent, as applicable, to any modification contained in any amendment may be prepared by the Bank, authenticated by the Issuing and Paying Agent, and delivered in exchange for the Bank Notes then outstanding. If the Bank and the Issuing and Paying Agent effect any modification, amendment or supplement to the provisions of any particular Bank Note, the Bank will have no obligation to make a similar modification, amendment or supplement to any other Bank Note, irrespective of the Series to which the other Bank Note may belong. Neither the Bank nor any affiliate of the Bank may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Agreement or any Bank Notes unless such consideration is offered to all Holders whose bank Notes would be subject to such consent, waiver or amendment and is paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement

Prior to due presentment of this Senior Note for registration of transfer, the Bank, the Issuing and Paying Agent or any agent of the Bank or the Issuing and Paying Agent may treat the holder in whose name this Senior Note is registered as the owner hereof for all purposes, whether or not this Senior Note be overdue, and neither the Bank, the Issuing and Paying Agent nor any such agent shall be affected by notice to the contrary except as required by applicable law.

All notices to the Bank under this Senior Note shall be in writing and addressed to the Bank at Three PNC Plaza, Three PNC Plaza, 225 Fifth Avenue, 6th Floor, Pittsburgh, Pennsylvania 15222, Attention: Lisa Kovac, or to such other address of the Bank as the Bank may notify the holder of this Senior Note.

This Senior Note shall be governed by, and construed in accordance with, the laws of the State of Pennsylvania (without regard to conflicts of laws principles) and all applicable federal laws and regulations.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of or within the Senior Note, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM	—	as tenants in common
TEN ENT	—	as tenants by the entireties
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — ______________________ Custodian ______________________
(Cust) (Minor)
under Uniform Gifts to Minors Act

____
(State)

Additional abbreviations may also be used
though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto ____

PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(Please print or typewrite name and address,
including postal zip code, of assignee)

the within Senior Note and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer said Senior Note on the books of the Issuing and Paying Agent, with full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within Senior Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee

RIDER A
to
Senior Extendible Floating Rate Note

This RIDER A forms a part of and is incorporated into the terms of this Senior Note, issued by PNC Bank, National Association.

<u>Extension of Maturity</u>.

INITIAL MATURITY DATE: This Senior Note will mature on the initial maturity date of (the "Initial Maturity Date") unless the maturity of all or any portion of this Senior Note is extended in accordance with the procedures described below.

FINAL MATURITY DATE: The final maturity date of this Senior Note is .

A holder may elect to extend the maturity of all or any portion of the principal amount of its Senior Notes on the th day of each month, commencing on through and including (each an "Election Date"). The Senior Notes must be extended in a principal amount of $250,000 or any integral multiple of $1,000 in excess thereof, during the notice period relating to each Election Date. If a holder elects to extend the maturity of any Senior Notes, the maturity of those Senior Notes will be extended to the th day of the month which is one month after (i) the Initial Maturity Date (in the case of the initial extension of maturity) or (ii) any later date to which the maturity date of those Senior Notes has been previously extended. In no event may the maturity of any Senior Note be extended beyond the Final Maturity Date.

To make an election to extend the maturity of any Senior Notes effective on any Election Date, a holder must deliver a notice of election in the form entitled "Option to Extend Maturity Date" attached hereto ("Notice of Election") duly completed and, in the event of an election to extend the maturity of only a portion of the principal amount of this Senior Note, this Senior Note, at the office of the Issuing and Paying Agent during the Extension Notice Period (as defined below) for that Election Date. The notice period for each Election Date will begin on the 5th Business Day prior to the Election Date and end at 1:00 PM (New York City time) on the Business Day prior to the Election Date (the "Extension Notice Period"). A Notice of Election must be delivered through the normal clearing channels on or after the first day of the notice period and no later than 1:00 PM (New York City time) on the last Business Day in the Extension Notice Period relating to the applicable Election Date. An election to extend the maturity of all or any portion of the principal amount of the Senior Notes during any Notice Period will be revocable during each day of an Extension Notice Period, until 1:00 PM (New York City time) on the last Business Day in the Extension Notice Period relating to the applicable Election Date, at which time such election will be irrevocable. In order to be effective, any notice of revocation must be delivered to the Issuing and Paying Agent and must (i) include the name of the person who delivered the Notice of Election and the Senior Notes to which it relates and the aggregate principal amount of the Senior Notes represented by such revocation, (ii) state that the holder revokes its Notice of Election with respect to such Senior Notes, (iii) be signed by the holder thereof in the same manner as the original signature on the Notice of Election and (iv) be delivered to the Issuing and Paying Agent within the time frames described in the immediately preceding sentence.

The Senior Notes will be Global Notes and will remain on deposit with the Depositary as described under “Description of Notes—Book-Entry Registration” in the accompanying Offering Circular. Therefore, a holder must exercise the option to extend the maturity of its Senior Notes through the Depositary. To ensure that the Depositary will receive timely notice of a holder’s election to extend the maturity of all or a portion of its Senior Notes, or its subsequent revocation of such an election, such holder must instruct the direct or indirect participant through which it holds an interest in the Senior Notes to notify the Depositary of its election to extend the maturity of its Senior Notes, or to revoke any such election, in accordance with the then applicable operating procedures of the Depositary.

The Depositary must receive any Notice of Election from its participants no later than 1:00 PM (New York City time) on the last Business Day in the Extension Notice Period for any Election Date so that it can deliver a report of such election to the Issuing and Paying Agent. Different firms have different deadlines for accepting instructions from their customers. A holder should consult the direct or indirect participant through which it holds an interest in the Senior Notes to ascertain the deadline for ensuring that timely notice will be delivered to the Depositary.

None of the Bank, PNC Capital Markets LLC, the Issuing and Paying Agent or any agent of any of them will have any liability to a holder or any direct participant, indirect participant or beneficial owner for any delay in exercising the option to extend the maturity of a Senior Note.

If, with respect to any Election Date, a holder does not make a timely and proper election to extend the maturity of all or any portion of the principal amount of its Senior Notes, the principal amount of the Senior Notes for which no election has been made will be due and payable on the then-current maturity date. The principal amount of the Senior Notes for which an election is not made will be represented by a substitute Senior Note issued as of the applicable Election Date. The substitute Senior Note will have the same terms as the original Senior Notes, except that (1) it will not be extendible, (2) it will not include any future increases in the spread to index and the interest rate spread will remain the spread in effect at the beginning of the Extension Notice Period, (3) it will have a separate CUSIP number and (4) its non-extendible maturity date will remain the then-current maturity date.

The failure to elect to extend the maturity of all or any portion of the Senior Notes will be irrevocable and will be binding upon any subsequent holder of such Senior Notes. The Holder of a substitute Senior Note received as a consequence of the failure to make such election may not elect to exchange such substitute Senior Note for an interest in this Senior Note. The Company and the Issuing and Paying Agent shall deem this Senior Note cancelled as to any portion of the Principal Amount hereof for which a duly completed form entitled “Option to Extend Maturity Date” and, if applicable, this Senior Note are not delivered to the Issuing and Paying Agent within the applicable Extension Notice Period in accordance with the terms of this Senior Note.

On any Election Date that a holder does not elect to extend the maturity of all or any portion of the principal amount of its Senior Notes, the Bank may elect to redeem all or any portion of the principal amount of the Senior Notes for which the maturity was not extended in increments of $1,000 (provided that any remaining principal amount hereof shall be at least $250,000) at a redemption price equal to 100% of the principal amount of such Senior Notes plus accrued interest from and including the most recent Interest Payment Date to but excluding the redemption date, which will be the 5th Business Day following such Election Date (the "Optional Redemption Date"). The Bank will provide notice of its election to redeem the Senior Notes to such holder by the 2nd Business Day following the Election Date.

If less than all the Senior Notes of this series for which the maturity was not extended at any time outstanding are to be redeemed, the Senior Notes to be so redeemed shall be selected by the Issuing and Paying Agent by lot or in any usual manner approved by it. In the event of redemption of this Senior Note in part only, a new Senior Note for the unredeemed portion hereof shall be issued in the name of the holder hereof upon the surrender hereof.

OPTION TO EXTEND MATURITY DATE

Unless otherwise specified in the table below, this Option to Extend Maturity Date relates to all of the principal amount of the Senior Note in the amount of $ held by the undersigned. If this Option to Extend Maturity Date relates to less than all of the principal amount of the Senior Note held in the name of the undersigned (either as registered or on the records of the Depositary), list on the table below the principal amount of Senior Note for which this Option to Extend Maturity Date is delivered. In the event this Option to Extend Maturity Date extends the maturity of only a portion of the principal amount of said Senior Note, the undersigned will surrender said Senior Note to the Issuing and Paying Agent, at its offices currently located at 116 Allegheny Center Mall, P8-YB35-02-8, Pittsburgh, Pennsylvania 15212, Attention: Security Settlements, or at such other place or places of which the Bank shall from time to time notify the holder of this Senior Note.

PRINCIPAL AMOUNT OF SENIOR NOTE (CUSIP:) AS TO WHICH OPTION TO EXTEND MATURITY DATE RELATES

Name(s) and Addresses of Holders(s) (Please fill in exactly as such name appears on the books of the registrar or on the Depositary position list for the Senior Notes with respect to which this Option to Extend Maturity Date is delivered)	Principal Amount of Senior Note Held	Principal Amount of Senior Note as to which Option to Extend Maturity Date is delivered (Note: Complete only if Option to Extend Maturity Date relates to less than the aggregate principal amount of Senior Note held by the holder, which shall be $250,000 or a multiple of $1,000 in excess thereof)*

* Unless otherwise indicated, the holder will be deemed to have extended in respect of all of the principal amount of Senior Note held.

This Option to Extend Maturity Date must be executed in exactly the same manner as the holder’s name appears on the books of the registrar, or on the position listing of the Depositary in case of a holder who is a Depositary participant, without alternation or any change whatsoever.

SIGN HERE

Signature of Holder or Authorized Signatory

Date:

Name:

Capacity:

Address:

SIGNATURE GUARANTEED — (required only if Senior Notes are to be issued and delivered to other than the registered Holder)

IF REQUIRED, THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED MEDALLION SIGNATURE GUARANTEE PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

SCHEDULE OF SUBSTITUTE SENIOR NOTE EXCHANGES

The initial principal amount of this Senior Note is $. The following exchanges of a portion of this Senior Note for an interest in a substitute Senior Note have been made:

Applicable Extension Date	Principal Amount of Senior Note Exchanged for Substitute Senior Note	Reduced Principal Amount of Senior Note Outstanding Following Issuance of Substitute Senior Note

EXHIBIT 10.1.3

AMENDMENT 2013-1

**THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(as amended and restated as of January 1, 2009)**

WHEREAS, The PNC Financial Services Group, Inc. ("PNC") sponsors The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan (the "Plan");

WHEREAS, Section 15 of the Plan authorizes PNC to amend the Plan; and

WHEREAS, PNC wishes to (i) clarify participation in the Plan following a separation from service; (ii) clarify the limitations on liability for actions taken in connection with administration of the Plan; and (iii) make certain other clarifying changes.

NOW, THEREFORE, IT IS RESOLVED, that, effective January 1, 2013, the Plan is hereby amended as follows:

1. Except with respect to Section 1.10 ("Cause"), Section 1.13 ("Committee"), Section 1.34 ("Plan Manager"), Section 14 ("Administration; Delegation"), Section 15 ("Amendment and Termination") and Section 19 ("Miscellaneous"), the Plan is amended to replace each reference to "Committee" with "Plan Manager".

2. The first sentence of Section 1.4 of the Plan ("Annual Base Salary") is amended to delete the period at the end thereof and replace it with ", which, for the avoidance of doubt, shall include a deemed Separation From Service (as described in the second sentence of Section 1.39)."

3. Section 1.14 of the Plan ("Compensation") is amended to add a new subsection (d) to the end thereof to read as follows:

"(d) Notwithstanding anything in this Section 1.14 to the contrary, Compensation shall not include any amounts that are paid or payable after the Participant's Severance From Service and prior to such time, if any, that such individual again becomes a Participant in accordance with Section 1.31 of the Plan; provided, however, that for any Severance From Service before January 1, 2014, this paragraph (d) shall apply only to a deemed Separation From Service (as described in the second sentence of Section 1.39); provided further that the Plan Manager may make exceptions to this paragraph (d) to such extent as the Plan Manager determines in its sole discretion. For the avoidance of doubt, nothing in this paragraph (d) shall change the way in which a Participant's Annual Base Salary is determined for purposes of Section 3 of the Plan, as set forth in clause (i) of Section 1.14(a)."

4. Section 1.31 of the Plan ("Participant") is amended in its entirety to read as follows:

"1.31 "Participant" means all persons who participated in the Plan on December 31, 1998 and all other persons who are invited thereafter by the Corporation to participate in the Plan; provided however, that following a Severance From Service, any such person shall no longer be eligible to participate in the Plan unless and until he or she is again invited by the Corporation to participate in the Plan; provided however, that, for any Severance From Service before January 1, 2014, other than a deemed Separation From Service (as described in the second sentence of Section 1.39), nothing in this Section 1.31 shall be construed as preventing the allocation of Earnings Credits and Transitional Earnings Credits for the period after such Severance From Service to the extent attributable to Compensation earned before such Severance From Service, as determined by the Plan Manager in its sole discretion."

5. Effective January 1, 2014, Section 1.34 of the Plan ("Plan Manager") is amended in its entirety to read as follows:

"1.34 "Plan Manager" means any individual designated to manage the operation of the Plan as herein provided."

6. Section 14 of the Plan ("Administration; Delegation") is amended in its entirety to read as follows:

"SECTION 14

ADMINISTRATION; DELEGATION

This Plan will be administered by the Plan Manager, and it will have the sole authority to resolve any questions that arise hereunder. The Committee or its delegate shall administer the Trust, if any.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and will be administered in a manner consistent with that intent.

The Board, the Committee or the Plan Manager may, in its sole discretion, delegate authority hereunder, including but not limited to delegating authority to amend, administer, interpret, construe or vary the Plan, to the extent permitted by applicable law or administrative or regulatory rule."

7. Section 15 of the Plan ("Amendment and Termination") is amended in its entirety to read as follows:

"**SECTION 15**

AMENDMENT AND TERMINATION

The Plan may be amended or terminated by the Board, the Committee or their respective delegates at any time, and any Subsidiary of the Corporation that has adopted the Plan may withdraw from further participation in the Plan at any time; provided, however, that no such amendment, termination or withdrawal (each, a "Plan Change") will be made that would reduce or in any way adversely affect the amount of, or payment of, the Accrued Benefit (as hereinafter defined) of any Participant as of the date of such Plan Change. In the event of any termination of the Plan or any portion thereof, payment of affected Participants' Accrued Benefits shall be made under and in accordance with the terms of the Plan and the applicable elections, except that the Plan Manager may determine, in its sole discretion, to accelerate payments to all such Participants if and to the extent that such acceleration is permitted under Section 409A of the Internal Revenue Code. For the avoidance of doubt, nothing in this paragraph shall prohibit or otherwise restrict the Board, the Committee or their respective delegates from amending the Plan to reduce or eliminate the rate of future benefit accruals.

For purposes of this Section 15, the term "Accrued Benefit" means, for a Grandfathered Participant, the benefit that would be payable to the Participant hereunder assuming that (i) the Participant terminated employment immediately prior to the Plan Change, and (ii) solely for the purpose of determining the Participant's eligibility for Vested Termination of Employment under this Plan and not for purposes of determining the amount of benefit, that the Participant had completed five years of Vesting Service (to the extent that the Participant had not yet completed such years of Vesting Service immediately prior to the Plan Change). The term "Accrued Benefit" means, for a Participant who is not a Grandfathered Participant, an amount equal to the balance of the Participant's Account immediately prior to the Plan Change.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration or payment of a Participant's benefits hereunder (including but not limited to the timing and form of payment of benefits hereunder) without the consent of the Participant, nor may the provisions of this Section 15, Section 16 or, for a Participant who is not a Grandfathered Participant, Section 4.4, be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of a Participant to consent to any such amendment will not impair the ability of the Board, the Committee or their respective delegates, as the case may be, to amend the Plan with respect to any other Participant who has consented to such amendment."

8. Section 19.1 of the Plan ("Liability of the Board and the Committee") is amended in its entirety to read as follows:

"19.1 Liability of the Board, the Committee and the Plan Manager

Neither the Board, the Committee, the Plan Manager nor any of their respective delegates will be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan."

9. Section 19.5 of the Plan ("Construction") is amended to delete the phrase "or any rule or procedure established by the Committee" and replace it with the phrase "or any rule or procedure established by the Plan Manager".

10. Section 19.6 of the Plan ("Corporation and Affiliate Liability") is amended to delete the words "the Committee's or" from the first sentence thereof.

11. Section 19.7 of the Plan ("Notices") is amended in its entirety to read as follows:

"19.7 Notices

All notices to the Corporation hereunder shall be delivered to the attention of the Plan Manager acting on its behalf. Any notice or filing required or permitted to be given to the Committee, Plan Manager or the Corporation under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Plan Manager, at the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 20th day of December, 2013 pursuant to the authority delegated by the PNC's Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President
Chief Human Resources Officer

[*Signature Page to Amendment 2013-1 to
The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan*]

EXHIBIT 10.2.4

AMENDMENT 2013-1

THE PNC FINANCIAL SERVICES GROUP, INC.
ERISA EXCESS PENSION PLAN
(as amended and restated as of January 1, 2009)

WHEREAS, The PNC Financial Services Group, Inc. ("PNC") sponsors The PNC Financial Services Group, Inc. ERISA Excess Pension Plan (the "Plan");

WHEREAS, Section 9 of the Plan authorizes PNC to amend the Plan; and

WHEREAS, PNC wishes to amend the Plan to (i) clarify participation in the Plan following a separation from service; (ii) clarify the delegation authority of the Plan administrator; and (iii) make certain other clarifying changes.

NOW, THEREFORE, IT IS RESOLVED, that, effective as of January 1, 2013 or such other date as specified below, the Plan is hereby amended as follows:

1. Except with respect to Section 1.6 ("Committee"), Section 1.21 ("Plan Manager"), Section 8 ("Administration; Delegation"), Section 9 ("Amendment and Termination"), Section 13 ("Miscellaneous"), the Plan is amended to replace each reference to "Committee" or "Committee or its delegate", as applicable, with "Plan Manager".

2. The first paragraph of Section 1.13 of the Plan ("Excess Benefits") is amended by deleting the period at the end of the first paragraph and replacing it to read as follows:

"; provided, however, that, except if and to such extent that the Plan Manager determines otherwise, in its sole discretion, if the Employee incurs (i) a Severance From Service that is a deemed Separation From Service (as described in the second sentence of Section 1.22) before January 1, 2014 or (ii) any Severance From Service on or after January 1, 2014, the amount of an Employee's benefit under the Pension Plan for purposes of calculating an Excess Benefit shall be determined without regard to amounts of Compensation, other than the Participant's base salary or wage (as applicable) earned through the date of his or her Severance From Service, that are paid or payable during the period after such Severance From Service and prior to such time, if any, that the Employee again becomes a Participant in accordance with Section 2 of the Plan."

3. Effective January 1, 2014, Section 1.21 of the Plan ("Plan Manager") is amended in its entirety to read as follows:

"1.21 "Plan Manager" means any individual designated to manage the operation of the Plan as herein provided."

4. Section 2 of the Plan ("Eligibility for Participation and Cessation of Participation") is amended in its entirety to read as follows:

"An Employee who participates in the Pension Plan is eligible to participate in this Plan if the Employee has Excess Benefits. If an Employee ceases to participate in the Pension

Plan, the Employee is no longer eligible to participate in this Plan. In addition, if a Participant incurs a Severance From Service, such Participant shall cease to be eligible to participate in this Plan unless and until the Plan Manager, in his or her sole discretion, determines that the Employee shall again be eligible to participate; provided, however, that nothing in this Section 2 shall be construed to prevent an Employee who has been determined disabled under the Pension Plan and has Excess Benefits from participating in this Plan. In the event of any loss of eligibility to participate in this Plan, the Participant's Account will be frozen as of the date he or she ceases participation, except that interest will continue to be credited under Section 3 of the Plan; provided however that, for any Severance From Service before January 1, 2014, other than a deemed Separation From Service (as described in the second sentence of Section 1.22), nothing in this Section 2 shall be construed as preventing the allocation of Earnings Credits and Transitional Earnings Credits for the period after such Severance From Service in the same manner as such credits are allocated to the Participant's account under the Pension Plan for such period, as determined by the Plan Manager in its sole discretion. Such frozen benefit will be payable at the same time and in the same manner as benefits otherwise payable under the Plan."

5. Section 8 of the Plan ("Administration; Delegation") is amended in its entirety to read as follows:

"SECTION 8

ADMINISTRATION; DELEGATION

The Plan Manager shall administer the Plan and shall have the same rights, powers and administrative duties as provided to the Committee under the Pension Plan. The Committee or its delegate shall administer the Trust, if any.

The Board, the Personnel and Compensation Committee of the Board or the Plan Manager may, in its sole discretion, delegate authority hereunder, including but not limited to delegating authority to amend the Plan, to the extent permitted by applicable law or administrative or regulatory rule.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and shall be administered in a manner consistent with that intent."

6. Section 9 of the Plan ("Amendment and Termination") is amended in its entirety to read as follows:

"SECTION 9

AMENDMENT AND TERMINATION

The Plan may be amended or terminated by the Board, the Personnel and Compensation Committee of the Board or their respective delegates in whole or part at any time, and any Employer may withdraw from further participation in the Plan at any time; provided, however, that no such amendment, termination or withdrawal (each, a "Plan Change") will, without the consent of each affected Participant, reduce or in any way adversely affect (i) the benefits payable hereunder with respect to a Participant who has terminated employment with the Corporation or an Employer (as applicable) prior to the date of such Plan Change or (ii) the amount of, or payment of, the Accrued Benefit (as hereinafter defined) of any other Participant as of the date of such Plan Change. In the event of any termination of the Plan or any portion thereof, payment of affected Participants' Accrued Benefits shall be made under and in accordance with the terms of the Plan, except that the Plan Manager may determine, in its sole discretion, to accelerate payments to all such Participants if and to the extent that such acceleration is permitted under Section 409A of the Internal Revenue Code. For the avoidance of doubt, nothing in this paragraph shall prohibit or otherwise restrict the Board, the Personnel and Compensation Committee of the Board or their respective delegates from amending the Plan to reduce or eliminate the rate of future benefit accruals.

For purposes of this Section 9, the term "Accrued Benefit" means an amount equal to the balance of a Participant's Account immediately prior to the Plan Change.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration or payment of a Participant's benefits hereunder (including but not limited to the timing and form of payment of benefits hereunder) without the consent of the Participant nor may the provisions of this Section 9 or, for purposes of this Plan, "Interest Credits" as defined in the Pension Plan immediately prior to the Plan Change, be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of a Participant to consent to any such amendment will not impair the ability of the Board, the Personnel and Compensation Committee of the Board or their respective delegates, as the case may be, to amend the Plan with respect to any other Participant who has consented to such amendment."

7. Section 13.1 of the Plan ("Liability of the Board, the Committee and the Plan Manager") is amended in its entirety to read as follows:

"13.1 Liability of the Board, the Personnel and Compensation Committee of the Board, the Committee, and the Plan Manager

Neither the Board, the Committee, the Personnel and Compensation Committee of the Board, the Plan Manager nor any of their delegates will be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan."

8. Section 13.7 of the Plan ("Construction") is amended in its entirety to read as follows:

"13.7 Construction

No rule of strict construction shall be applied against the Corporation, Affiliate, Committee, Board, Personnel and Compensation Committee of the Board, Plan Manager or any other person regarding the interpretation of any terms of this Plan or any rule or procedure established by the Plan Manager."

9. Section 13.10 of the Plan ("Notices") is amended in its entirety to read as follows:

"13.10 Notices

All notices to the Corporation hereunder shall be delivered to the attention of the Plan Manager acting on its behalf. Any notice or filing required or permitted to be given to the Committee, Plan Manager or the Corporation under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Plan Manager, at the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 20th day of December, 2013 pursuant to the authority delegated by the PNC's Personnel and Compensation Committee.

/s/ Joan L. Gulley

Joan L. Gulley
Executive Vice President
Chief Human Resources Officer

[*Signature Page to Amendment 2013-1 to*
The PNC Financial Services Group, Inc. ERISA Excess Pension Plan]

AMENDMENT 2013-1

THE PNC FINANCIAL SERVICES GROUP, INC.
SUPPLEMENTAL INCENTIVE SAVINGS PLAN
(as amended and restated as of January 1, 2010)

WHEREAS, The PNC Financial Services Group, Inc. ("PNC") sponsors The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan (the "Plan");

WHEREAS, Section 10 of the Plan authorizes PNC to amend the Plan; and

WHEREAS, PNC wishes to amend the Plan to (i) permit a special one-time contribution to the Plan on behalf of certain participants who transacted in select State Street Global Advisors funds during the period between April 5, 2013 and April 18, 2013; (ii) reflect changes to the responsibilities of the Plan Manager and the administrative procedures for processing claims and appeals; and (iii) make certain other clarifying changes.

NOW, THEREFORE, IT IS RESOLVED, that, effective January 1, 2013, the Plan is hereby amended as follows:

1. Except with respect to Sections 1.7 ("Committee"), Section 1.29 ("Plan Manager"), Section 5 ("Investment Funds"), Section 9 ("Administration; Delegation") and Section 13 ("Miscellaneous"), the Plan is amended to replace each reference to "Committee", "Committee or its delegate", or "Committee or its designee", as applicable, with "Plan Manager".

2. Section 1.29 of the Plan ("Plan Manager") is amended in its entirety to read as follows:

"1.29 "Plan Manager" means any individual designated to manage the operation of the Plan as herein provided."

3. Section 3 of the Plan ("Benefits") is amended to add a new Section 3.6 at the end thereof to read as follows:

"3.6 Special Contribution

A Participant who (i) had deemed investment transactions in the State Street Global Advisors U.S. Bond Index fund; the State Street Global Advisors S&P 500 Index fund; the State Street Global Advisors U.S. Extended Market Index fund; and/or the State Street Global Advisors Global Equity Ex-U.S. Index fund (individually a "SSgA Fund" and together the "SSgA Funds") during the period between April 5, 2013 and April 18, 2013 (the "Adjustment Period"); (ii) had a net shortage in his Account as a result of the net asset value of such deemed investments being calculated during the Adjustment Period based on the price as of the close of business on the day prior to the Participant's deemed transaction (the "Prior Day NAV"), rather than the price as of the same day of that deemed transaction (the "Same Day NAV"); and (iii) is identified on a list of eligible Participants maintained by the Plan Manager, shall receive a one-time credit to the Participant's Account in an amount equal to the (1) the difference between

(A) the net value of the Participant's deemed transactions in the SSgA Funds during the Affected Period determined using the Prior Day NAV and (B) the net value of the Participant's deemed transactions in the SSgA Funds during the Affected Period determined using the Same Day NAV, plus (2) interest calculated for the period between June 4, 2013 and June 19, 2013 at the corporate underpayment rate, all as calculated by the Plan Manager, in its sole discretion."

4. Section 9 of the Plan ("Administration; Delegation") is amended in its entirety to read as follows:

"SECTION 9

ADMINISTRATION; DELEGATION

The Plan Manager shall administer the Plan and shall have those rights, powers and duties provided to the Committee as under the ISP.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and shall be administered in a manner consistent with that intent. The Committee or its delegate shall administer the Trust, if any.

The Board, the Committee or the Plan Manager may, in its sole discretion, delegate authority hereunder, including but not limited to delegating authority to modify, amend, administer, interpret, construe or vary the Plan, to the extent permitted by applicable law or administrative or regulatory rule.

All administrative costs and expenses of the Plan will be allocated among and deducted from Accounts of all Participants on a pro rata basis in accordance with procedures determined by the Plan Manager."

5. Section 13.1 of the Plan ("Liability of the Board and the Committee") is amended in its entirety to read as follows:

"13.1 Liability of the Board, the Personnel and Compensation Committee of the Board the Committee and the Plan Manager

Neither the Board, the Personnel and Compensation Committee of the Board, the Committee, the Plan Manager nor any of their respective delegates will be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan."

6. The first paragraph of Section 13.7 of the Plan ("Construction") is amended in its entirety to read as follows:

"No rule of strict construction shall be applied against the Corporation, Affiliate, Committee, Board, Personnel and Compensation Committee of the Board nor any other person regarding the interpretation of any terms of this Plan or any rule or procedure established by the Committee."

7. Section 13.8 of the Plan ("Corporation and Affiliate Liability") is amended to delete the words "the Committee's or" from the first sentence thereof.

8. Section 13.10 of the Plan ("Notices") is amended in its entirety to read as follows:

"13.10 Notices

All notices to the Corporation hereunder shall be delivered to the attention of the Plan Manager acting on its behalf. Any notice or filing required or permitted to be given to the Committee, Plan Manager or the Corporation under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Plan Manager, at the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 20th day of December, 2013 pursuant to the authority delegated by the PNC's Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President
Chief Human Resources Officer

[*Signature Page to Amendment 2013-1 to*
The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan]

EXHIBIT 10.5.6

AMENDMENT 2013-1

**THE PNC FINANCIAL SERVICES GROUP, INC.
DEFERRED COMPENSATION PLAN
(as amended and restated as of May 5, 2009)**

WHEREAS, The PNC Financial Services Group, Inc. (“PNC”) sponsors The PNC Financial Services Group, Inc. Deferred Compensation Plan (the “Plan”);

WHEREAS, Section 10 of the Plan authorizes PNC to amend the Plan; and

WHEREAS, PNC wishes to amend the Plan to (i) reflect changes to the responsibilities of the Plan Manager and the administrative procedures for processing claims and appeals; and (ii) make certain other clarifying changes.

NOW, THEREFORE, IT IS RESOLVED, that, effective January 1, 2013, the Plan is hereby amended as follows:

1. Except with respect to Section 1.7 (“Committee”), Section 1.24 (“ISP Administrative Committee”), Section 1.30 (“Plan Manager”), Section 9 (“Administration; Delegation”), Section 10 (“Amendment and Termination”) and Section 13 (“Miscellaneous”), the Plan is amended to replace each reference to “Committee” or “Committee or its delegate”, as applicable, with “Plan Manager”.

2. Section 1.30 of the Plan (“Plan Manager”) is amended in its entirety to read as follows:

“1.30 “Plan Manager” means any individual designated to manage the operation of the Plan as herein provided.”

3. The third sentence of Section 4.2 of the Plan (“Manner of Distribution”) is amended to delete the period at the end thereof and replace it with “; provided, however, that, for the avoidance of doubt, any such subsequent deferral election shall become irrevocable as of the date that is 12 months prior to the previously designated Distribution Date with respect to which the subsequent deferral election is made.”

4. Section 9 of the Plan (“Administration; Delegation”) is amended in its entirety to read as follows:

“SECTION 9

ADMINISTRATION; DELEGATION

The Plan Manager will have the sole and absolute authority to determine eligibility for benefits and administer, interpret, construe and vary the terms of the Plan; provided, however, that after a Change in Control, the Plan Manager will be subject to the direction of the trustee of the Trust with respect to the exercise of the authority granted by this Section 9 and elsewhere in this Plan. The ISP Administrative Committee or its delegate shall administer the Trust, if any.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and will be administered in a manner consistent with that intent.

The Board, the Committee or the Plan Manager may, in its sole discretion, delegate authority hereunder, including but not limited to delegating authority to modify, amend, administer, interpret, construe or vary the Plan, to the extent permitted by applicable law or administrative or regulatory rule.

All administrative costs and expenses of the Plan, to the extent permitted under applicable law, will be allocated among and deducted from Accounts of all Participants on a *pro rata* basis in accordance with procedures determined by the Plan Manager."

5. Section 10 of the Plan ("Amendment and Termination") is amended in its entirety to read as follows:

"SECTION 10

AMENDMENT AND TERMINATION

The Committee or its delegate will have the sole and absolute discretion to modify, amend or terminate this Plan, in whole or in part, at any time; provided, however, that no modification, amendment or termination will be made that would have the effect of decreasing the amount payable to any Participant or Beneficiary hereunder without the consent of such Participant or Beneficiary. In the event of any termination of the Plan or any portion thereof, payment of affected Participants' Accounts shall be made under and in accordance with the terms of the Plan and the applicable elections, except that the Plan Manager may determine, in its sole discretion, to accelerate payments to all such Participants if and to the extent that such acceleration is permitted under Section 409A of the Internal Revenue Code.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration or payment of a Participant's benefits hereunder (including but not limited to the timing and form or payment of benefits hereunder) without the consent of the Participant, nor may the provisions of this Section 10 or Section 11 be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of the Participant to consent to any such amendment will not impair the ability of the Committee or its delegate, as the case may be, to amend the Plan with respect to any other Participant who has consented to such amendment."

6. Section 13.1 of the Plan ("Liability of the Board and the Committee") is amended in its entirety to read as follows:

"13.1 Liability of the Board, the Committee, the ISP Administrative Committee and Plan Manager

Neither the Board, the Committee, the ISP Administrative Committee nor the Plan Manager will be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan."

7. The first paragraph of Section 13.7 of the Plan ("Construction") is amended in its entirety to read as follows:

"No rule of strict construction shall be applied against the Corporation, any Affiliate, the Committee, the Board, the ISP Administrative Committee, the Plan Manager or any other person regarding the interpretation of any terms of this Plan or any rule or procedure established by the Plan Manager."

8. Section 13.8 of the Plan ("Corporation and Affiliate Liability") is amended to delete the words "the Committee's or" from the first sentence thereof.

9. Section 13.10 of the Plan ("Notices") is amended in its entirety to read as follows:

"13.10 Notices

All notices to the Corporation hereunder shall be delivered to the attention of the Plan Manager acting on its behalf. Any notice or filing required or permitted to be given to the Committee, Plan Manager or the Corporation under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Plan Manager, at the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 20th day of December, 2013 pursuant to the authority delegated by the PNC's Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President
Chief Human Resources Officer

[*Signature Page to Amendment 2013-1 to
The PNC Financial Services Group, Inc. Deferred Compensation Plan*]

EXHIBIT 10.6.2

AMENDMENT 2013-1

THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES
DEFERRED COMPENSATION AND INCENTIVE PLAN
(as amended and restated as of January 1, 2012)

WHEREAS, The PNC Financial Services Group, Inc. ("PNC") sponsors The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation and Incentive Plan (the "Plan");

WHEREAS, Section 10 of the Plan authorizes PNC to amend the Plan; and

WHEREAS, PNC wishes to amend the Plan to (i) clarify eligibility to participate in the Plan following separation from service; (ii) clarify the delegation authority of the Plan administrator; and (iii) make certain other clarifying changes.

NOW, THEREFORE, IT IS RESOLVED, that, effective as of January 1, 2013, the Plan is hereby amended as follows:

1. Section 2 of the Plan ("Eligibility For Participation") is amended in its entirety to read as follows:

"SECTION 2

ELIGIBILITY FOR PARTICIPATION

In general, an Employee may be eligible to participate in the Plan for a Plan Year if, as of the Eligibility Determination Date (i) the Employee is an Active Employee and (ii) the sum of the Employee's Annualized Base Salary plus Year-to-Date Short-Term Incentive Pay exceeds the Compensation Threshold. The decision as to whether an Employee is eligible to participate in the Plan is reserved to the Plan Manager in his or her sole discretion. For the avoidance of doubt, a Participant who experiences a "deemed" Severance from Service as set forth in Section 1.42 shall not be eligible to participate in the Plan for a Plan Year unless and until the Plan Manager, in his or her sole discretion, makes a determination that such Participant again is eligible."

2. The second sentence of Section 1.16 of the Plan ("Deferral Election") is amended to delete "the Committee" and replace it with "the Committee or its delegate".

3. The first sentence of Section 3.4 of the Plan ("Modification of Distribution Elections") is amended to delete the period and thereof and replace it with "; provided further that, for the avoidance of doubt, any such Subsequent Deferral Election shall become irrevocable as of the date that is 12 months prior to the previously designated Distribution Event with respect to which the Subsequent Deferral Election is made."

4. Section 9 of the Plan ("Administration; Delegation") is amended in its entirety to read as follows:

"SECTION 9

ADMINISTRATION; DELEGATION

The Committee or its delegate, as the case may be, including, without limitation, the Plan Manager with respect to claims pursuant to Section 8.1, will have absolute authority to determine eligibility for benefits and administer, interpret, construe and vary the terms of the Plan; provided, however, that after a Change in Control, the Committee or its delegate will be subject to the direction of the trustee of the Trust with respect to the exercise of the authority granted by this Section 9 and elsewhere in this Plan.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and will be administered in a manner consistent with that intent.

The Board, the Committee or their respective delegates may, in their sole discretion, delegate authority hereunder, including, but not limited to, delegating authority to modify, amend, administer, interpret, construe or vary the Plan, to the extent permitted by applicable law or administrative or regulatory rule.

All administrative costs and expenses of the Plan, to the extent permitted under applicable law, will be allocated among and deducted from Accounts of all Participants on a pro rata basis in accordance with procedures determined by the Plan Manager."

5. Section 13.1 of the Plan ("Liability of the Board and Committee") is amended in its entirety to read as follows:

"13.1 Liability of Board, Committee and Plan Manager

Neither the Board, the Committee, the Plan Manager nor their respective delegates will be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan."

6. The first paragraph of Section 13.7 of the Plan ("Construction") is amended in its entirety to read as follows:

"No rule of strict construction shall be applied against the Corporation, any Affiliate, the Committee, the Board, the Plan Manager or any other person regarding the interpretation of any terms of this Plan or any rule or procedure established by the Committee, the Plan Manager or their respective delegates."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 20th day of December, 2013 pursuant to the authority delegated by the PNC's Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President
Chief Human Resources Officer

[Signature Page to Amendment 2013-1 to
The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation and Incentive Plan]

**THE PNC FINANCIAL SERVICES GROUP, INC.
EMPLOYEE STOCK PURCHASE PLAN
(amended and restated as of January 1, 2014)**

ARTICLE I. PURPOSE AND SCOPE OF THE PLAN

1.1. Purpose. The PNC Financial Services Group, Inc. Employee Stock Purchase Plan is intended to encourage employee participation in the ownership and economic progress of the Corporation. The Plan as set forth herein is effective for Option Periods beginning on or after January 1, 2014, and it supersedes and replaces in its entirety the prior Employee Stock Purchase Plan (the "Prior Plan"), as originally established effective as of June 1, 2003 and as amended and restated from time to time thereafter, with respect to any such Option Period. The Plan as in effect prior to this amendment and restatement shall govern any Option Period beginning prior to January 1, 2014.

1.2. Definitions. Unless the context clearly indicates otherwise, the following terms have the meaning set forth below:

Board of Directors or *Board* means the Board of Directors of the Corporation.

Code means the Internal Revenue Code of 1986, as amended.

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

Compensation means the regular remuneration paid to an Employee by the Corporation or Designated Subsidiary which: (i) in the case of an Employee who receives commission income, means commissions and (ii) in the case of any other Employee, means base salary or wage amount, that, in either (i) or (ii), would be included in the Employee's U.S. taxable income but for the fact that such amount was contributed by the Employee to a tax-qualified plan pursuant to an elective deferral under Section 401(k) of the Code, was contributed by the Employee under a flexible benefit arrangement described in Section 125 of the Code, or was deferred by the Employee's election pursuant to the terms of the DCIP or any successor plan to the DCIP. Effective January 1, 2010, for the avoidance of doubt, in the case of an Employee who is paid outside of the United States, the Plan Manager shall determine in its sole discretion such Employee's Compensation in a manner consistent with the foregoing and the tax rules governing the jurisdiction where such individual is primarily employed.

Compensation Committee means the Personnel and Compensation Committee of the Board.

Continuous Service means the period of time, uninterrupted by a termination of employment, that an Employee has been employed by the Corporation and/or a Designated Subsidiary immediately preceding an Offering Date. Such period of time will include any approved leave of absence. Notwithstanding the foregoing, if the Employee's employment with the Corporation or a Designated Subsidiary has ended and the Employee is receiving or is eligible to receive displacement benefits under the DBP, the Employee's Continuous Service will be determined as if the Employee's employment had not ended in such instance if the Employee returns to employment with the Corporation or a Designated Subsidiary within 30 days of the Employee's termination of employment and the Employee immediately returns any displacement benefits already paid to the Employee under the DBP.

Corporation means The PNC Financial Services Group, Inc.

DBP means The PNC Financial Services Group, Inc. Displacement Benefits Plan.

DCIP means The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation and Incentive Plan.

Designated Subsidiary means any Subsidiary that has been designated by the Plan Committee to participate in the Plan.

Employee means any individual classified by the Corporation or a Designated Subsidiary as an employee.

Exercise Date means June 30 and December 31 of each Plan Year.

Fair Market Value as it relates to a share of Common Stock means, as of any given date, the closing price on the New York Stock Exchange for a share of Common Stock on such date or, if no such price is reported for that day, on the last preceding day for which such price is reported, or as otherwise determined using any other reasonable method adopted by the Plan Committee in good faith for such purpose that uses actual transactions in Common Stock as reported by a national securities exchange or The Nasdaq Stock Market, provided that such method is consistently applied.

ISP means the Corporation's Incentive Savings Plan.

Offering Date means July 1 and January 1 of each Plan Year.

Option Period or *Period* means the period beginning on an Offering Date and ending on the next succeeding Exercise Date.

Option Price means the purchase price of a share of Common Stock hereunder as provided in Section 3.1.

Participant means any Employee who (i) is eligible to participate in the Plan under Section 2.1 hereof and (ii) elects to participate.

Plan means the Corporation's Employee Stock Purchase Plan, which is the Plan set forth in this document, as the same may be amended from time to time in accordance with the terms of Section 6.3.

Plan Account or *Account* means the account established and maintained under the Plan in the name of the Participant.

Plan Committee means a committee of officers of the Corporation and/or Designated Subsidiaries appointed by the Board of Directors or the Compensation Committee, which committee of officers will administer the Plan as provided in Section 1.3.

Plan Manager means any individual designated by the Plan Committee to manage the operation of the Plan as herein provided or to whom the Plan Committee has duly delegated any of its duties and obligations hereunder.

Plan Year means the twelve (12) consecutive month period beginning on January 1 and ending on the following December 31.

Retire, *Retires*, or *Retirement* means termination of Participant's employment with the Corporation or a Designated Subsidiary at any time and for any reason (other than termination by reason of the Participant's death or by the Corporation or a Designated Subsidiary for cause and, if the Plan Committee 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 date on which Participant attains age fifty-five (55) and completes 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.

Subsidiary means any company in which the Corporation owns, directly or indirectly, shares possessing 50% or more of the total combined voting power of all classes of stock.

1.3. Administration of Plan; Delegation. Subject to oversight by the Board of Directors or the Board's Personnel and Compensation Committee, the Plan Committee will have the authority to administer the Plan and to make and adopt rules and regulations not inconsistent with the provisions of the Plan or the Code. The Plan Committee or the Plan Manager, if any, will adopt the form of all notices required hereunder. Its interpretations and decisions in respect to the Plan will, subject as aforesaid, be final and conclusive. The Plan Committee will have the authority to appoint an Employee as Plan Manager and to delegate to the Plan Manager such authority with respect to the administration of the Plan as the Plan Committee, in its sole discretion, deems advisable from time to time.

The Board or the Compensation Committee may, in its sole discretion, delegate authority hereunder, including but not limited to delegating authority to amend, administer, interpret, construe or vary the Plan, to the extent permitted by applicable law or administrative or regulatory rule.

1.4. Effective Date of Plan. The effective date of the Plan is January 1, 2014.

1.5. Extension or Termination of Plan. The Plan will continue in effect through and including December 31, 2018, unless terminated prior thereto pursuant to Section 4.3 or by the Board of Directors or the Compensation Committee, each of which will have the right to extend the term of or terminate the Plan at any time. Upon any such termination, the balance, if any, in each Participant's Account will be refunded to the Participant, or otherwise disposed of in accordance with policies and procedures prescribed by the Plan Committee in cases where such a refund may not be possible.

ARTICLE II. PARTICIPATION

2.1 Eligibility. Effective beginning with the Option Period commencing on January 1, 2014, each full-time Employee or rehired Employee, including those serving on the Plan Committee or serving as Plan Manager, who on an Offering Date will have at least six (6) months of Continuous Service, and each part-time Employee (excluding peak-time employees who were not otherwise previously participating in the Plan or the Prior Plan as full or part-time employees) or rehired Employee who on an Offering Date will have at least twelve (12) months of Continuous Service, may become a Participant by filing a notice with the Plan Manager prior to such Offering Date. Participants who participated in the Prior Plan will continue to participate in this Plan pursuant to the same elections made under the Prior Plan until they make elections in accordance with Section 2.2, discontinue contributions, or otherwise terminate participation in accordance with Article V. No Employee may participate in the Plan if said Employee either (i) as of an Offering Date and before taking into account any shares of common stock that may be purchased during such Option Period, would be deemed for purposes of Section 423(b)(3) of the Code to possess 5% or more of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary or (ii) except as provided in Section 5.2 with respect to a Participant who Retires during an Option Period prior to July 1, 2014, is not an employee on the date an option is granted hereunder in accordance with Section 423 of the Code and the Treasury Regulations promulgated thereunder.

2.2 Payroll Deductions.

(a) Payment for shares of Common Stock purchased hereunder will be made by authorized payroll deductions from each payment of Compensation in accordance with instructions received from a Participant. Said deductions will be expressed as a whole number percentage that is at least 1% but not more than 10%. A Participant may not increase or decrease the percentage deduction during an Option Period. However, a Participant may change the percentage deduction for any subsequent Option Period by filing notice thereof with the Plan Manager prior to the Offering Date on which such Option Period commences. Amounts deducted from a Participant's Compensation pursuant to Section 2.2 will be credited to the Participant's Account.

(b) During an Option Period, a Participant may discontinue payroll deductions and the payroll deductions previously made during that Option Period (unless otherwise withdrawn in accordance with Section 5.1) shall remain in the Participant's Account to purchase whole shares of Common Stock on the next succeeding Exercise Date, provided that the Participant is an Employee as of that Exercise Date (or otherwise remains eligible as of that Exercise Date in accordance with Section 5.2 or 5.3), and any cash balance remaining in such Participant's Account after such purchase will be refunded to the Participant without interest unless such Employee again becomes a Participant in the succeeding Option Period by filing a notice in accordance with Section 2.1 before such refund occurs.

(c) Payroll deductions may be automatically suspended if, during a Plan Year, a Participant becomes ineligible under the Plan pursuant to Sections 5.1 through 5.4 or has reached any applicable limit imposed by law or has taken a hardship withdrawal from the ISP. For Participants that have been suspended due to reaching any applicable limits imposed by law, payroll deductions will recommence at the same percentage at the beginning of the next Plan Year if the Participant continues to be eligible to participate and has not elected to discontinue deductions. For Participants suspended because of a hardship withdrawal from the ISP, payroll deductions previously made during the Option Period (unless otherwise withdrawn in accordance with Section 5.1) shall remain in the Participant's Account to purchase whole shares of Common Stock on the next succeeding Exercise Date, provided that he or she is an Employee as of that Exercise Date (or otherwise remains eligible as of that Exercise Date in accordance with Section 5.2 or 5.3), and any cash balance remaining in the such Participant's Account after such purchase will be refunded to the Participant without interest unless such Employee again becomes a Participant in the succeeding Option Period by filing a notice in accordance with Section 2.1 before such refund occurs.

(d) Any cash balance remaining in the Participant's Account after the purchase of Common Stock on an applicable Exercise Date that is not refunded to the Participant in accordance with subsection (b) or (c) above will be carried over to the next Option Period. Any Participant who discontinues payroll deductions during an Option Period or who has such payroll deductions suspended as a result of taking a hardship withdrawal from the ISP, may again become a Participant for a subsequent Option Period by filing a notice in accordance with Section 2.1.

ARTICLE III. PURCHASE OF SHARES

3.1 Option Price. Effective beginning with the Option Period commencing on January 1, 2014, the Option Price per share of the Common Stock sold to Participants under the Plan will be 95% of the Fair Market Value of such share on the Exercise Date of the Option Period; provided, however, in no event will the Option Price per share be less than the par value of the Common Stock.

3.2 Purchase of Shares. On each Exercise Date, the amount in a Participant's Account will be charged with the aggregate Option Price of the largest number of whole shares of Common Stock which can be purchased with said amount. Shares of Common Stock purchased by a Participant on any Exercise Date will be issued in the manner most recently elected by the Participant and on file with the Plan Manager.

3.3 Limitations on Purchase.

(a) If any person entitled to purchase shares of Common Stock pursuant to any offering under the Plan would be deemed for purposes of Section 423(b)(3) of the Code to own stock (including any number of shares of Common Stock that such person would be entitled to purchase under the Plan) possessing 5% or more of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary, the maximum number of shares of Common Stock that such person shall be entitled to purchase pursuant to the Plan shall be reduced to that number which, when added to the number of shares of stock that such person is deemed to own (excluding any number of shares of Common Stock that such person would be entitled to purchase under the Plan), is one less than such 5%. Any amounts withheld from a Participant's Compensation that cannot be applied to the purchase of Common Stock by reason of the foregoing limitation shall be refunded to the Participant without interest.

(b) A Participant may not purchase shares of Common Stock having an aggregate Fair Market Value of more than $25,000, determined as of the Exercise Date in accordance with the Treasury regulations issued under Section 423 of the Code, for any calendar year in which one or more offerings under the Plan are outstanding at any time.

(c) Notwithstanding anything in this Article III or the Plan to the contrary, no Participant's purchase of Common Stock under the Plan will exceed the limitations imposed by Section 423(b)(8) of the Code.

3.4 Transferability of Rights. Only Participants can exercise rights to purchase shares hereunder. Such rights are not transferable.

ARTICLE IV. PROVISIONS RELATING TO COMMON STOCK

4.1 Common Stock Reserved. As of January 1, 2014, there will be 2,000,000 shares of Common Stock authorized and reserved for use in accordance with the Plan, subject to adjustment in accordance with Section 4.2, which includes all of the shares authorized and reserved for issuance under the Prior Plan for Option Periods beginning prior to January 1, 2014 and on or after January 1, 2009, including the shares previously authorized that were issued as well as shares that were not issued thereunder. The aggregate number of shares which may be purchased thereafter under the Plan will not exceed the number of shares reserved for the Plan.

4.2 Adjustment for Changes in Common Stock. Upon the occurrence of a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by the Corporation (each, a "Corporate Transaction")), the Plan Committee shall make those adjustments, if any, in (i) the number, class or kind of shares or other securities that may be reserved for purchase, or purchased, hereunder, and (ii) the Option Price that it deems appropriate in its discretion to reflect the Corporate Transaction(s) such that the rights of Participants are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions. All determinations hereunder shall be made by the Plan Committee in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation the Participants. The Corporation shall determine the manner in which any fractional shares will be treated.

4.3 Insufficient Shares. If the aggregate funds available for the purchase of Common Stock on any Exercise Date would cause an issuance of shares in excess of the number provided for in Section 4.1, then (i) the Plan Committee will proportionately reduce the number of shares which would otherwise be purchased by each Participant in order to eliminate such excess, (ii) any amounts remaining in a Participant's Account immediately after such Exercise Date shall be refunded to such Participant without interest; and (iii) the Plan will automatically terminate immediately after such Exercise Date.

4.4 Confirmation. Each purchase of Common Stock hereunder will be confirmed in writing to the Participant. A record of purchases will be maintained by appropriate entries on the books of the Corporation.

4.5 Rights as Shareholders. The shares of Common Stock purchased by a Participant on an Exercise Date will, for all purposes, be deemed to have been issued and sold at the close of business on such Exercise Date. Prior to that time, none of the rights or privileges of a shareholder of the Corporation will exist with respect to such shares.

ARTICLE V. TERMINATION OF PARTICIPATION

5.1 Voluntary Withdrawal. For periods prior to July 1, 2014, a Participant may withdraw from the Plan at any time by filing notice of withdrawal prior to the close of business on an Exercise Date; provided, however, in the case of a Participant who Retires during an Option Period, such notice of withdrawal must be provided at least fifteen (15) days prior to the next succeeding Exercise Date. Upon withdrawal, the entire amount, if any, in a Participant's Account will be refunded to him or to her without interest. Any Participant who withdraws from the Plan may again become a Participant in accordance with Section 2.1. Effective on and after July 1, 2014, no withdrawals will be permitted from the Plan.

5.2 Retirement. For periods prior to July 1, 2014, a Participant who Retires during an Option Period and who has not made a withdrawal election in accordance with Section 5.1 shall have any cash balance remaining in the Participant's Account applied toward the purchase of whole shares of Common Stock on the next succeeding Exercise Date, and any cash balance remaining in the Participant's Plan Account after such purchase will be refunded to the Participant without interest. For periods on and after July 1, 2014, a Participant who Retires during an Option Period shall have any cash balance remaining in the Participant's Plan Account as of the date of such Retirement refunded to the Participant without interest.

5.3 Ceasing to be an Employee of a Designated Subsidiary. A Participant who ceases to be eligible under Section 2.1 during an Option Period because the Participant's employer, while remaining a Subsidiary, ceases to be a Designated Subsidiary and, for periods prior to July 1, 2014, has not made a withdrawal in accordance with Section 5.1 shall have any cash balance remaining in the Participant's Account applied toward the purchase of whole shares of Common Stock on the next succeeding Exercise Date and any cash balance remaining in the Participant's Plan Account after such purchase will be refunded to the Participant without interest.

5.4 Death During an Option Period. If a Participant ceases to be eligible under Section 2.1 during an Option Period because of the Participant's death while employed by the Corporation or a Designated Subsidiary, the cash balance remaining in the Participant's Plan Account will be distributed without interest to the Participant's designated beneficiary or, in the absence of an effective beneficiary designation, to the Participant's personal representative or, if no personal representative has qualified, to the persons entitled thereto under the laws of descent and distribution. During the Participant's lifetime, a Participant may file a beneficiary designation with the Corporation in such manner and form as the Corporation may from time to time direct.

5.5 Other Termination of Eligibility. If a Participant ceases to be eligible under Section 2.1 during an Option Period because the Participant's employment with the Corporation or a Designated Subsidiary has ended for any reason (other than Retirement for periods prior to July 1, 2014), the cash balance remaining in the Participant's Plan Account will be refunded or distributed without interest to the Participant; provided, however, that this Section 5.5 shall not apply under circumstances set forth in Sections 5.2, 5.3 or 5.4.

5.6 Refund or Distribution Upon Termination of Participation. Notwithstanding anything in this Article V or Section 2.2 to the contrary, in cases where a refund or distribution in accordance with the provisions of Article V or Section 2.2 may not be possible or practicable, the cash balance remaining in the Participant's Plan Account will be disposed of as determined by the Plan Committee.

ARTICLE VI. GENERAL PROVISIONS

6.1 Notices. Any notice, which a Participant files pursuant to the Plan, shall be made as prescribed by the Plan Committee or the Plan Manager, if any, and will be effective only when such notices are received by the Plan Manager.

6.2 Condition of Employment. Neither the creation of the Plan nor participation therein will be deemed to create any right of continued employment or in any way affect the right of the Corporation or a Designated Subsidiary to terminate an Employee's employment.

6.3 Amendment of the Plan. The Board of Directors or the Board's Personnel and Compensation Committee may at any time, or from time to time, amend the Plan in any respect, except that, without approval of the shareholders, no amendment may increase the aggregate number of shares reserved under the Plan other than as provided in Section 4.2, materially increase the benefits accruing to Participants, or materially modify the requirements as to eligibility for participation in the Plan. Any amendment of the Plan must be made in accordance with applicable provisions of the Code and/or any regulations issued thereunder, with any other applicable law or regulations, and with any applicable requirements of the principal exchange upon which the Common Stock is listed.

6.4 Application of Funds. All funds received by the Corporation by reason of purchases of Common Stock hereunder may be used for any corporate purpose.

6.5 Legal Restrictions. The Corporation will not be obligated to sell shares of Common Stock hereunder if counsel to the Corporation determines that such sale would violate any applicable law or regulation.

6.6 Internal Revenue Code and ERISA Considerations. The Plan is intended to constitute an "employee stock purchase plan" within the meaning of Section 423 of the Code with respect to the purchase of Common Stock under the Plan by each Participant (other than with respect to the purchase of Common Stock under the Plan by a Participant who Retires during an Option Period and purchases Common Stock on the next succeeding Exercise Date) and shall be interpreted in a manner consistent with Section 423 of the Code and the Treasury Regulations promulgated thereunder. The Plan is not intended and shall not be construed as constituting an "employee benefit plan," within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

6.7 Gender. Whenever used herein, use of any gender will be applicable to both genders.

6.8 Governing Law. The Plan and all rights and obligations thereunder will be constructed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions, and any applicable provisions of the Code and the related regulations.

EXHIBIT 10.36

ADDITIONAL 2013 AND 2014 FORMS OF EMPLOYEE RESTRICTED SHARE UNIT AND PERFORMANCE UNIT AGREEMENTS

RESTRICTED SHARE UNITS

Standard Long-Term Incentive Program RSUs

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

* * *

20 LONG-TERM INCENTIVE AWARD PROGRAM

* * *

STOCK-PAYABLE RESTRICTED SHARE UNITS
AWARD AGREEMENT

* * *

GRANTEE:	[Name]
AWARD GRANT DATE:	, 20
RESTRICTED SHARE UNITS:	[Whole number] share units

1. Definitions. Certain terms used in this Stock-Payable Restricted Share Units Award Agreement (the "Agreement" or "Award Agreement") are defined in Section 12 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 as amended from time to time.

2. Restricted Share Units with Related Dividend Equivalents Award. 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 award opportunity of stock-payable restricted share units ("Restricted Share Units" or "RSUs") of the number of restricted share units set forth above, together with the opportunity to receive related dividend equivalents to the extent provided herein ("Dividend Equivalents"), payable in cash, with respect to those share units (together, the "Award"). The Award is subject to acceptance by Grantee in accordance with Section 15 and is subject to the terms and conditions of the Award Agreement, including service and conduct conditions and forfeiture provisions, and to the Plan.

3. Terms of Award. The Award is subject to the terms and conditions set forth in the Agreement and to the Plan.

Restricted Share Units and Dividend Equivalents are not transferable. Restricted Share Units and related Dividend Equivalents are subject to forfeiture pursuant to the applicable service, conduct and other terms and conditions of the Agreement until vesting of the Restricted Share Units in accordance with the terms of the Agreement.

Provided that Restricted Share Units are not forfeited in accordance with the terms of Section 5 and vest in accordance with the terms of Section 6, those Restricted Share Units will be settled and paid out, generally in shares of PNC common stock, pursuant to and in accordance with the terms of Section 6. Restricted Share Units that are forfeited by Grantee pursuant to and in accordance with the terms of the service, conduct or other provisions of Section 5 will be cancelled without payment of any consideration by PNC.

The right to ongoing Dividend Equivalents is granted in connection with the Restricted Share Units to which those Dividend Equivalents relate and therefore shall terminate, without payment of any consideration by PNC, upon the cancellation or vesting, whichever is applicable, of the Restricted Share Units to which those Dividend Equivalents relate.

4. Dividend Equivalents.

Dividend Equivalents. These Dividend Equivalents are related to the Restricted Share Units, and Dividend Equivalents payments are applicable for the period during which the Restricted Share Units to which they relate are outstanding. Dividend Equivalents apply to the period from and after the Award Grant Date until such time as the Restricted Share Units granted in connection with those Dividend Equivalents either (i) vest pursuant to and in accordance with the terms of Section 6 or (ii) are cancelled upon forfeiture in accordance with the terms of Section 5. At the end of such period (either the vesting date in accordance with Section 6 or cancellation date in accordance with Section 5), the related Dividend Equivalents terminate.

Once the Agreement is effective in accordance with Section 15 and subject to the terms and conditions of this Section 4, the Corporation will make Dividend Equivalents payments to Grantee, where applicable, of cash equivalent to the amounts of the quarterly cash dividends Grantee would have received, if any, had the Restricted Share Units to which such Dividend Equivalents relate been shares of PNC common stock issued and outstanding on the record dates for cash dividends on PNC common stock that occur during the applicable Dividend Equivalents period.

Payment. The Corporation will make Dividend Equivalents payments to Grantee where applicable pursuant to this Section 4 each quarter following the dividend payment date that relates to such record date, if any. Dividend Equivalents will not be payable with respect to a dividend unless the Restricted Share Units to which the Dividend Equivalents relate were outstanding on the dividend record date for such dividend. Such amounts shall be paid in cash in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees within 30 days after the applicable dividend payment date.

Dividend Equivalents payments are also subject to the additional conditions set forth below.

Additional Conditions. Except as otherwise provided in Sections 5.4(b), 12.11, and 14.9, termination or cancellation of the right to ongoing Dividend Equivalents will have no effect on cash payments made pursuant to this Section 4 prior to such termination or cancellation.

If the termination of the right to ongoing Dividend Equivalents occurs after the dividend record date for a quarter but before the related dividend payment date, the Corporation will nonetheless make such a quarterly dividend equivalents payment to Grantee with respect to that record date, if any.

Where payment of Dividend Equivalents that would otherwise be made is suspended pursuant to Section 5.3 or Section 5.5 pending resolution of a potential forfeiture of the Restricted Share Units, then such payment will be made only if and when the suspension is terminated for reasons favorable to Grantee and the Restricted Share Units are not forfeited. No interest shall be paid with respect to any suspended payments. If the suspension is terminated for reasons adverse to Grantee, both the Restricted Share Units and any suspended Dividend Equivalents payments will be forfeited without payment.

5. Forfeiture Provisions; Termination Upon Failure to Meet Applicable Conditions.

5.1 Termination Upon Forfeiture of Units. The Award is subject to the forfeiture provisions set forth in this Section 5. Upon forfeiture and cancellation of Restricted Share Units, or specified portion thereof, and the right to receive payment with respect to the Dividend Equivalents related to such Restricted Share Units pursuant to the terms and conditions of this Section 5, the Award will terminate with respect to such Restricted Share Units and related Dividend Equivalents, or specified portion thereof, and neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Restricted Share Units or the related right to Dividend Equivalents evidenced by the Agreement.

5.2 Service Requirements. Grantee will meet the service requirements of the Award with respect to the Restricted Share Units, or applicable portion thereof if so specified, if Grantee meets the conditions of any of the subclauses below. If more than one of the following subclauses is applicable with respect to those Restricted Share Units, Grantee will have met the service requirements for such RSUs upon the first to occur of such conditions.

(i) Grantee continues to be an employee of the Corporation through and including the day immediately preceding the 3rd anniversary of the Award Grant Date.

(ii) Grantee ceases to be an employee of the Corporation by reason of Grantee's death.

(iii) Grantee continues to be an employee of the Corporation until such time as Grantee's employment is terminated by the Corporation by reason of Grantee's Disability (as defined in Section 12) and not for Cause (as defined in Section 12).

(iv) Grantee continues to be employed by the Corporation until such time as Grantee Retires (as defined in Section 12) provided that such Retirement Date occurs no earlier than the 1st anniversary of the Award Grant Date and such Retirement is a Qualifying Retirement Termination of employment as defined below and where Grantee's employment was not terminated by the Corporation for Cause.

(v) Grantee continues to be employed by the Corporation until such time as Grantee's employment with the Corporation is terminated by the Corporation and such termination is an Anticipatory Termination (as defined in Section 12).

(vi) Grantee continues to be employed by the Corporation through the day immediately prior to the date a Change of Control (as defined in Section 12) occurs.

(vii) The Committee or other PNC Designated Person (as defined in Section 12) determines, in its sole discretion and prior to Grantee's Termination Date, that, with respect to all or a specified portion of Grantee's then outstanding Restricted Share Units that have not yet vested, the service requirements will be deemed to have been satisfied with respect to such share units; provided that if the Committee or other PNC Designated Person determines, in its sole discretion, that such deemed satisfaction of the service requirements shall be subject to any accompanying restrictions, terms or conditions, then such conditions shall have been timely satisfied (or shall be deemed to have been timely satisfied upon the earlier occurrence of Grantee's death or of a Change of Control) no later than by the end of the day immediately preceding the 3rd anniversary of the Award Grant Date.

Qualifying Retirement Termination. Grantee's termination of employment will be considered to be a Qualifying Retirement Termination for purposes of this Award if all of the following conditions are met:

(1) Grantee's termination of employment is a Retirement (as defined in Section 12);

(2) Grantee's employment was not terminated by the Corporation for Cause (as defined in Section 12); and

(3) Grantee's termination of employment occurs on or after the 1st anniversary of the Award Grant Date.

5.3 Forfeiture Upon Failure to Meet Service Requirements.

(a) Except as otherwise provided in subsection (b) below, if, at the time Grantee ceases to be employed by the Corporation, Grantee has failed to meet the service requirements with respect to all or a portion of the Award as set forth in Section 5.2 prior to or as of Grantee's Termination Date (as defined in Section 12), then all such outstanding Restricted Share Units that have so failed to meet such service requirements, together with the right to receive any payment on or after Grantee's Termination Date with respect to the Dividend Equivalents related to those Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee's Termination Date.

(b) If, at the time Grantee ceases to be employed by the Corporation, Grantee could still satisfy the service requirements for all or a portion of the Award pursuant to Section 5.2(vii) provided that Grantee satisfies all of the conditions, if any, required by the Committee or other PNC Designated Person for such provision to apply within the time so specified by the Committee or other PNC Designated Person and/or that provision, then the potential forfeiture of that portion of the Award for failure to meet the service requirements set forth in Section 5.2 (and payment with respect to Dividend Equivalents with respect to that portion of the Award) will be suspended until the earliest to occur of the following: (1) Grantee's failing to meet the service requirements of Section 5.2 upon the failure to satisfy such conditions at all or to satisfy such conditions within any time period specified by the Committee or other PNC Designated Person for such purpose or, if earlier or if no such time period is specified by the Committee or other PNC Designated Person, within the time period otherwise specified in such provision (i.e., no later than by the end of the day immediately preceding the 3rd anniversary of the Award Grant Date); (2) the timely satisfaction of such conditions, if any, such that Grantee is considered to have met the service requirements of Section 5.2 for purposes of that portion of the Award; (3) Grantee's death; or (4) the occurrence of a Change of Control.

If such suspension is resolved adverse to Grantee pursuant to clause (1) above, then all outstanding Restricted Share Units, together with all payments with respect to the related Dividend Equivalents that had been suspended pending such resolution, will be automatically forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC, effective as of Grantee's Termination Date.

If such suspension is resolved pursuant to clause (2) above or by the occurrence of an event set forth in clause (3) or (4) above, then vesting of Restricted Share Units shall proceed in accordance with Section 6, as applicable, any Dividend Equivalents payments that had been suspended shall be paid, and payment of ongoing Dividend Equivalents, if any, shall resume in accordance with Section 4 as applicable. No interest shall be paid with respect to any suspended payments.

5.4 Forfeiture Upon Termination for Cause or Pursuant to Detrimental Conduct Provisions

(a) Termination for Cause. In the event that Grantee's employment with the Corporation is terminated by the Corporation for Cause prior to the 3rd anniversary of the Award Grant Date and prior to the occurrence of a Change of Control, if any, then all then outstanding Restricted Share Units, together with the right to receive any payment on or after Grantee's Termination Date with respect to the Dividend Equivalents related to those Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee's Termination Date.

(b) Detrimental Conduct. At any time prior to the date that such Restricted Share Units vest in accordance with Section 6, Restricted Share Units and related Dividend Equivalents, or specified portion thereof, will be forfeited by Grantee to PNC and cancelled, without payment of any consideration by PNC, on the date and to the extent that PNC determines in its sole discretion to so cancel all or a specified portion of the Restricted Share Units and related Dividend Equivalents on the basis of its determination that Grantee has engaged in Detrimental Conduct as set forth in Section 12.11, whether such determination is made during the period of Grantee's employment with the Corporation or after Grantee's Termination Date; provided, however, that (i) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death and Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Share Units by will or the laws of descent and distribution in the event of Grantee's death; (ii) in the event that Grantee's termination of employment was an Anticipatory Termination, no determination that Grantee has engaged in Detrimental Conduct may be made on or after Grantee's Termination Date; (iii) no determination that Grantee has engaged in Detrimental Conduct may be made between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control; and (iv) no determination that Grantee has engaged in Detrimental Conduct may be made after the occurrence of a Change of Control (as defined in Section 12).

5.5 Suspension and Forfeiture Related to Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Share Units or any portion thereof are still outstanding and have not yet vested, the Committee or other PNC Designated Person may determine that the vesting of those Restricted Share Units and any further Dividend Equivalents payments shall be suspended.

Any such suspension of vesting shall continue until the earliest to occur of the following:

(1) resolution of the criminal proceedings in a manner that results in a conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation;

(2) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement;

(3) Grantee's death; or

(4) the occurrence of a Change of Control.

If the suspension is terminated by the occurrence of an event set forth in clause (1) above, those Restricted Share Units, together with all payments with respect to the related Dividend Equivalents that had been suspended, will, upon such occurrence, be automatically forfeited by Grantee to PNC, will not vest or be eligible to vest, and will be cancelled without payment of any consideration by PNC.

If the suspension is terminated by the occurrence of an event set forth in clause (2), (3) or (4) above, then vesting of those Restricted Share Units shall proceed in accordance with Section 6, as applicable, any Dividend Equivalents payments that had been suspended shall be paid, and payment of ongoing Dividend Equivalents, if any, shall resume in accordance with Section 4 as applicable. No interest shall be paid with respect to any suspended payments.

6. Vesting and Settlement of Restricted Share Units.

6.1 Vesting. Restricted Share Units will vest upon the earliest to occur of the events set forth in the subclauses below, provided that those Restricted Share Units have not been forfeited prior to such event pursuant to any of the provisions of Section 5 and remain outstanding at that time:

(i) the 3rd anniversary of the Award Grant Date or, if later, on the date as of which any suspension imposed with respect to those Restricted Share Units pursuant to Section 5.5 is lifted without forfeiture of the units and the units vest, as applicable;

(ii) the date of Grantee's death; and

(iii) the end of the day immediately preceding the day a Change of Control (as defined in Section 12) occurs.

Restricted Share Units that have been forfeited by Grantee pursuant to the provisions of Section 5 are not eligible for vesting, will not settle and will be cancelled without payment of any consideration by PNC.

The Dividend Equivalents period with respect to Dividend Equivalents related to such Restricted Share Units will end and such Dividend Equivalents will terminate either on the vesting date for such Restricted Share Units in accordance with Section 6 or on the cancellation date for such Restricted Share Units in accordance with Section 5, as applicable.

6.2 Settlement. Restricted Share Units that have vested will be settled at the time set forth in Section 6.3 by delivery to Grantee of that number of whole shares of PNC common stock equal to the number of outstanding vested Restricted Share Units being settled or as otherwise provided pursuant to Section 8 if applicable.

No fractional shares will be delivered to Grantee. If the outstanding vested Restricted Share Units being settled include a fractional interest, such fractional interest will be liquidated and paid to Grantee in cash on the basis of the then current Fair Market Value (as defined in Section 12) of PNC common stock as of the vesting date (or as of the scheduled payment date pursuant to subsection (2) of the third bullet under Section 6.3 if payment is made pursuant to that provision as necessary) or in any case as otherwise provided in Section 10 or in Section 8 if applicable.

Delivery of shares and/or other payment pursuant to the Award will not be made unless and until all applicable tax withholding requirements with respect to such payment have been satisfied.

6.3 Payout Timing. Payment will be made to Grantee in settlement of outstanding Restricted Share Units that have vested as soon as practicable after the vesting date set forth in the applicable subclause of Section 6.1 for such Restricted Share Units, generally within 30 days but no later than December 31st of the calendar year in which the vesting date occurs, subject to the provisions of the following bullets, if applicable. No interest shall be paid with respect to any such payments hereunder.

- In the event that the vesting date pursuant to Section 6.1(i) is the date as of which any suspension imposed pursuant to Section 5.5 is lifted, payment will be made no later than the earlier of (a) 30 days after the vesting date and (b) December 31st of the calendar year in which the vesting date occurs.

- Where vesting occurs pursuant to Section 6.1(ii) upon Grantee's death, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later, the 15th day of the 3rd calendar month following the date of Grantee's death.

- Where vesting occurs pursuant to Section 6.1(iii) due to the occurrence of a Change of Control:

  (1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the U.S. Internal Revenue Code, payment will be made as soon as practicable after the Change of Control date, 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 U.S. 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 U.S. Internal Revenue Code, then payment will be made as soon as practicable after the 3rd anniversary of the Award Grant Date (the date that would have been the scheduled vesting date for such Restricted Share Units had they vested pursuant to Section 6.1(i) rather than pursuant to Section 6.1(iii)), but in no event later than December 31st of the calendar year in which such scheduled vesting date occurs.

- Where vesting occurs pursuant to Section 6.1(iii) due to the occurrence of a Change of Control and payment is scheduled, pursuant to subsection (2) of the bullet above, for as soon as practicable after the 3rd anniversary of the Award Grant Date, but Grantee dies prior to that scheduled payout date, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later but not beyond the end of the calendar year in which the 3rd anniversary of the Award Grant Date occurs, the 15th day of the 3rd calendar month following the date of Grantee's death.

7. No Rights as Shareholder Until Issuance of Shares. Grantee will have no rights as a shareholder of PNC by virtue of this Award unless and until shares of PNC stock are issued and delivered in settlement of outstanding vested Restricted Share Units pursuant to and in accordance with Section 6.

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, if any, that outstanding vested Restricted Share Units are settled and paid, the Compensation Committee or its delegate shall make those adjustments, if any, in the number, class or kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award that it deems appropriate in its discretion to reflect 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 amount authorized for payment to Grantee pursuant to Section 6 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 value of any award amount authorized for payment to Grantee pursuant to Section 6 to be paid in cash at the applicable time specified in Section 6.

All determinations hereunder shall be made by the Compensation Committee or its delegate in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

8.2 Upon the occurrence of a Change of Control, (a) the number, class and kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally, (b) the value per share unit of any share-denominated award amount 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 entire value of any payment to be made to Grantee pursuant to Section 6 will be made solely in cash at the applicable time specified by Section 6.

9. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Restricted Share Units and related Dividend Equivalents may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If Grantee is deceased at the time any outstanding vested Restricted Share Units are settled and paid in accordance with the terms of Section 6, such delivery of shares and/or other 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 PNC.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative, or retained by PNC for taxes pursuant to Section 10, shall extinguish all right to payment hereunder.

10. Withholding Taxes. Where all applicable withholding tax obligations have not previously been satisfied, PNC will, at the time any such 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 amounts then payable hereunder to Grantee or, if none, from other compensation then payable to Grantee, or as otherwise determined by PNC.

Unless the Compensation Committee or other PNC Designated Person (as defined in Section 12) determines otherwise, where amounts are then payable hereunder to Grantee in the form of shares of PNC common stock, the Corporation will retain whole shares from any such amounts until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligation. In the event that amounts then payable to Grantee include a fractional interest, withholding may be made in the form of shares with respect to such fractional interest. In the event that amounts are not then payable hereunder to Grantee in the form of shares or that such withholdings are otherwise not sufficient to meet the minimum amount of taxes then required to be withheld, withholding will be made from any amounts then payable hereunder to Grantee that are settled in cash until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligation.

If any withholding is required prior to the time amounts are payable to Grantee hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to Grantee or as otherwise determined by PNC.

For purposes of this Section 10, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value (as defined in Section 12) 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. The Corporation will not retain Shares for this purpose. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection herewith, no additional withholding may be made.

11. Employment. Neither the granting of the Restricted Share Units and related Dividend Equivalents award nor any payment with respect to such Award authorized 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. Certain Definitions. Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

12.1 "Agreement," "Award Agreement;" "Award;" "Award Grant Date."

"Agreement" or "Award Agreement" means the Stock-Payable Restricted Share Units Award Agreement between PNC and Grantee evidencing the Restricted Share Units with related Dividend Equivalents award granted to Grantee pursuant to the Plan.

"Award" means the Restricted Share Units with related Dividend Equivalents award granted to Grantee pursuant to the Plan and evidenced by the Agreement.

"Award Grant Date" means the Award Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Share Units and related Dividend Equivalents are authorized to be granted by the Committee in accordance with the Plan.

12.2 "Anticipatory Termination" If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause as defined in this Section 12.2, 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 in anticipation of a Change of Control, such a termination of employment is an "Anticipatory Termination."

For purposes of this Section 12.2, "Cause" shall mean:

(a) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee's duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee's action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee's superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee's employment with the Corporation for Cause for purposes of this Section 12.2 only if and when there shall have been delivered to Grantee, as part of the notice of Grantee's termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

12.3 "Board" means the Board of Directors of PNC.

12.4 "Cause" and "termination for Cause."

Except as otherwise required by Section 12.2 in connection with the definition of Anticipatory Termination set forth in therein, "Cause" means:

(a) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(b) a material breach by Grantee of (1) any code of conduct of PNC or 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;

(c) 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;

(d) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(e) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any of its subsidiaries, that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

The cessation of employment of Grantee will be deemed to have been a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (a), (b) or (c) above or that an event described in clause (d) or (e) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

12.5 "CEO" means the chief executive officer of PNC.

12.6 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section 12.6(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section 12.6(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

12.7 "Compensation Committee" or "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.

12.8 "Competitive Activity."

"Competitive Activity" while Grantee is an employee of the Corporation 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 (1) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary or (2) engaged in business activities that Grantee knows PNC or any subsidiary intends to enter within the next twelve (12) months, 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.

“Competitive Activity” on or after Grantee’s Termination Date 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 that 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 subsection (a), clause (ii) of the definition of Detrimental Conduct in Section 12.11, 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.

For purposes of Competitive Activity as defined in this Section 12.8, and for purposes of the definition of competitive activity in any other PNC restricted share unit or in any PNC restricted stock, stock option, or other equity-based award or awards held by Grantee, however, the term subsidiary or subsidiaries shall not include companies in which the Corporation holds an interest pursuant to its merchant banking authority.

12.9 “Consolidated Subsidiary” means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under U.S. generally accepted accounting principles and (2) satisfies the definition of “service recipient” under Section 409A of the U.S. Internal Revenue Code.

12.10 “Corporation” means PNC and its Consolidated Subsidiaries.

12.11 “Detrimental Conduct” means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given or withheld at PNC’s sole discretion), in any Competitive Activity as defined in Section 12.8 in the continental United States at any time during the period of Grantee’s employment with the Corporation 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 Compensation Committee or other PNC Designated Person, as applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee and, if so, (1) determines in its sole discretion that Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement and (2) determines in its sole discretion to cancel all or a specified portion of the Restricted Share Units that have not yet vested in accordance with Section 6 and of the Dividend Equivalents related to such Restricted Share Units, including Dividend Equivalents related to such Restricted Share Units that may already have been paid to Grantee, on the basis of such determination that Grantee has engaged in Detrimental Conduct.

12.12 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the U.S. Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for U.S. Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

12.13 "Dividend Equivalents" means the opportunity to receive dividend equivalents granted to Grantee pursuant to the Plan in connection with the Restricted Share Units to which they relate and evidenced by the Agreement.

12.14 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means (a) 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 or, if the Committee has so acted, (b) fair market value as determined using such other reasonable method adopted by the Committee in good faith for such purpose that uses actual transactions in PNC common stock as reported by a national securities exchange or the Nasdaq National Market, provided that such method is consistently applied.

12.15 "GAAP" or "U.S. generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

12.16 "Grantee" means the person to whom the Restricted Share Units with related Dividend Equivalents award is granted and is identified as Grantee on page 1 of the Agreement.

12.17 "Internal Revenue Code" or "U.S. Internal Revenue Code" means the United States Internal Revenue Code of 1986 as amended and the rules and regulations promulgated thereunder.

12.18 "Person" has the meaning specified in the definition of Change of Control in Section 12.6(a).

12.19 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan as amended from time to time.

12.20 "PNC" means The PNC Financial Services Group, Inc.

12.21 "PNC Designated Person" or "Designated Person" will be: (a) the Compensation Committee or its delegate if Grantee is (or was when Grantee ceased to be an employee of the Corporation) either a member of the Corporate Executive Group (or equivalent successor classification) or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Compensation Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as Designated Person for purposes of the Agreement.

12.22 "Qualifying Retirement Termination" has the meaning specified in Section 5.2.

12.23 "Restricted Share Units" or "RSUs" means the Share-denominated award opportunity of the number of restricted share units specified as the Restricted Share Units on page 1 of the Agreement, subject to capital adjustments pursuant to Section 8 if any, granted to Grantee pursuant to the Plan and evidenced by the Agreement.

12.24 "Retires" or "Retirement." Grantee "Retires" if Grantee's 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 or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more subsidiaries of the Corporation) on or after the first date on which Grantee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

If Grantee "Retires" as defined herein, the termination of Grantee's employment with the Corporation is sometimes referred to as "Retirement" and such Grantee's Termination Date is sometimes also referred to as Grantee's "Retirement Date."

12.25 "Retiree." Grantee is sometimes referred to as a "Retiree" if Grantee Retires, as defined in Section 12.24.

12.26 "SEC" means the United States Securities and Exchange Commission.

12.27 "Section 409A" means Section 409A of the U.S. Internal Revenue Code.

12.28 "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.

12.29 "Share" means a share of PNC common stock.

12.30 "Termination Date" means Grantee's last date of employment with the Corporation. If Grantee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under U.S. 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.

13. Grantee Covenants.

13.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 13 and 14 by virtue of receiving this Restricted Share Units with related Dividend Equivalents award (regardless of whether such share units or any portion thereof ultimately vest and settle and regardless of whether any such dividend equivalents are ultimately paid); 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.

13.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 13.2 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 Grantee's 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 Grantee's Termination Date, or (iii) was, as of Grantee's 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 13.2 shall no longer apply and shall be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of one year after Grantee's 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.

13.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee shall 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.

13.4 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 13.4 shall be performed by Grantee without further compensation and shall continue beyond Grantee's Termination Date.

14. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

14.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the Federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

14.2 Equitable Remedies. A breach of the provisions of any of Sections 13.2, 13.3 or 13.4 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.

14.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 13.2 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.

14.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

14.5 Severability. The restrictions and obligations imposed by Sections 13.2, 13.3, 13.4, 14.1 and 14.7 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 shall remain valid and binding upon Grantee.

14.6 Reform. In the event any of Sections 13.2, 13.3 and 13.4 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.

14.7 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 13.2, 13.3 and 13.4.

14.8 Compliance with U.S. Internal Revenue Code Section 409A. It is the intention of the parties that the Award and the Agreement comply with the provisions of Section 409A of the U.S. Internal Revenue Code to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A of the U.S. Internal Revenue Code, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Award to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A of the U.S. Internal Revenue Code or to provide such payments or benefits in a manner that complies with the provisions of Section 409A of the U.S. Internal Revenue Code such that they will not be taxable thereunder.

14.9 Applicable Law; Clawback. 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 applicable to Grantee, the Award, and any right to receive and retain any Shares or other value pursuant to the Award, shall be subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under any clawback, adjustment or similar policy of PNC in effect on the Award Grant Date or that may be established thereafter and to any clawback or recoupment that may be required by applicable law or regulation.

14.10 Subject to the Plan and Interpretations. In all respects the Award and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Award and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Compensation Committee, or its delegate or under the authority of the Compensation Committee, whether made or issued before or after the Award Grant Date.

14.11 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.

14.12 Modification. Modifications or adjustments to the terms of this Agreement may be made by PNC as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement shall be effective unless embodied in a separate, subsequent writing signed by Grantee and by an authorized representative of PNC.

15. Acceptance of Award; PNC Right to Cancel; Effectiveness of Agreement.

If Grantee does not accept the Award by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within 30 days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Award at any time prior to Grantee’s delivery to PNC of an unaltered and unchanged copy of the Agreement so executed by Grantee. Otherwise, upon such execution and delivery of the Agreement by both PNC and Grantee, the Agreement is effective as of the Award Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

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

* * *

STOCK-PAYABLE RESTRICTED SHARE UNITS
AWARD AGREEMENT

* * *

GRANTEE:	[Name]
AWARD GRANT DATE:	, 20
RESTRICTED SHARE UNITS:	[Whole number] share units

1. Definitions. Certain terms used in this Stock-Payable Restricted Share Units Award Agreement (the “Agreement” or “Award Agreement”) are defined in Section 12 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 as amended from time to time.

2. Restricted Share Units with Related Dividend Equivalents Award. 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 award opportunity of stock-payable restricted share units (“Restricted Share Units” or “RSUs”) of the number of restricted share units set forth above, together with the opportunity to receive related dividend equivalents to the extent provided herein (“Dividend Equivalents”), payable in cash, with respect to those share units (together, the “Award”). The Award is subject to acceptance by Grantee in accordance with Section 15 and is subject to the terms and conditions of the Award Agreement, including service and conduct conditions and forfeiture provisions, and to the Plan.

3. Terms of Award. The Award is subject to the terms and conditions set forth in the Agreement and to the Plan.

The Restricted Share Units in the Award (that is, the total number of Restricted Share Units set forth on page 1 of the Agreement) are divided into three installments or tranches for purposes of determining the service, conduct and other conditions and provisions applicable to each portion of the RSUs and related Dividend Equivalents under the Agreement. This includes the conditions set forth in Section 4 related to Dividend Equivalents and the conditions set forth in Sections 5 and 6 relating to specified service conditions and service related forfeiture provisions for each tranche, to conduct-related and other provisions and forfeitures, and to vesting and settlement provisions for each tranche.

The three Restricted Share Units and related Dividend Equivalents tranches (each, a “Tranche”) are set forth below:

- one-fourth of the Share Units (rounded down to the nearest whole unit) are in the first tranche (“First Tranche”);
- one-third of the remaining Share Units (rounded down to the nearest whole unit) are in the second tranche (“Second Tranche”); and
- the remainder of the Share Units are in the third tranche (“Third Tranche”).

Restricted Share Units and Dividend Equivalents are not transferable. Restricted Share Units and related Dividend Equivalents are subject to forfeiture pursuant to the applicable service, conduct and other terms and conditions of the Agreement until vesting of the Restricted Share Units in accordance with the terms of the Agreement.

Provided that Restricted Share Units are not forfeited in accordance with the terms of Section 5 and vest in accordance with the terms of Section 6, those RSUs will be settled and paid out, generally in shares of PNC common stock, pursuant to and in accordance with the terms of Section 6. Restricted Share Units that are forfeited by Grantee pursuant to and in accordance with the terms of the service, conduct or other provisions of Section 5 will be cancelled without payment of any consideration by PNC.

The right to ongoing Dividend Equivalents is granted in connection with the Restricted Share Units to which those Dividend Equivalents relate and therefore shall terminate, without payment of any consideration by PNC, upon the cancellation or vesting, whichever is applicable, of the Restricted Share Units to which those Dividend Equivalents relate.

4. Dividend Equivalents.

Dividend Equivalents. These Dividend Equivalents are related to the Restricted Share Units, and Dividend Equivalents payments are applicable for the period during which the Tranche of Restricted Share Units to which they relate is outstanding. Dividend Equivalents apply to the period from and after the Award Grant Date until such time as the applicable Tranche of Restricted Share Units granted in connection with those Dividend Equivalents either (i) vests pursuant to and in accordance with the terms of Section 6 or (ii) is cancelled upon forfeiture in accordance with the terms of Section 5. At the end of such period (either the vesting date in accordance with Section 6 or cancellation date in accordance with Section 5), the related Dividend Equivalents terminate.

Once the Agreement is effective in accordance with Section 15 and subject to the terms and conditions of this Section 4, the Corporation will make Dividend Equivalents payments to Grantee, where applicable, of cash equivalent to the amounts of the quarterly cash dividends Grantee would have received, if any, had the Restricted Share Units to which such Dividend Equivalents relate been shares of PNC common stock issued and outstanding on the record dates for cash dividends on PNC common stock that occur during the applicable Dividend Equivalents period.

Payment. The Corporation will make Dividend Equivalents payments to Grantee where applicable pursuant to this Section 4 each quarter following the dividend payment date that relates to such record date, if any. Dividend Equivalents will not be payable with respect to a dividend unless the Restricted Share Units to which the Dividend Equivalents relate were outstanding on the dividend record date for such dividend. Such amounts shall be paid in cash in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees within 30 days after the applicable dividend payment date.

Dividend Equivalents payments are also subject to the additional conditions set forth below.

Additional Conditions. Except as otherwise provided in Sections 5.4(b), 12.11, and 14.9, termination or cancellation of the right to ongoing Dividend Equivalents will have no effect on cash payments made pursuant to this Section 4 prior to such termination or cancellation.

If the termination of the right to ongoing Dividend Equivalents occurs after the dividend record date for a quarter but before the related dividend payment date, the Corporation will nonetheless make such a quarterly dividend equivalents payment to Grantee with respect to that record date, if any.

Where payment of Dividend Equivalents that would otherwise be made is suspended pursuant to Section 5.3 or Section 5.5 pending resolution of a potential forfeiture of the Restricted Share Units, then such payment will be made only if and when the suspension is terminated for reasons favorable to Grantee and the Restricted Share Units are not forfeited. No interest shall be paid with respect to any suspended payments. If the suspension is terminated for reasons adverse to Grantee, both the Restricted Share Units and any suspended Dividend Equivalents payments will be forfeited without payment.

5. Forfeiture Provisions; Termination Upon Failure to Meet Applicable Conditions

5.1 Termination Upon Forfeiture of Units. The Award is subject to the forfeiture provisions set forth in this Section 5. Upon forfeiture and cancellation of a Tranche or Tranches, as the case may be, of Restricted Share Units, or specified portion thereof, and the right to receive payment with respect to the Dividend Equivalents related to such Restricted Share Units pursuant to the terms and conditions of this Section 5, the Award will terminate with respect to such Tranche or Tranches of RSUs and related Dividend Equivalents, or specified portion thereof, and neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in the Restricted Share Units or the related right to Dividend Equivalents evidenced by the Agreement with respect to such Tranche or Tranches of RSUs and related Dividend Equivalents, or specified portion thereof, as applicable.

5.2 Service Requirements. Grantee will meet the service requirements of the Award with respect to the Restricted Share Units, or applicable portion thereof if so specified, if Grantee meets the conditions of any of the subclauses below. If more than one of the following subclauses is applicable with respect to those RSUs, Grantee will have met the service requirements for such RSUs upon the first to occur of such conditions.

(i) Grantee continues to be an employee of the Corporation through and including the day immediately preceding the 3rd, 4th, or 5th anniversary of the Award Grant Date, as the case may be, with respect to the First, Second, or Third Tranche of the RSUs, as applicable.

(ii) Grantee ceases to be an employee of the Corporation by reason of Grantee's death.

(iii) Grantee continues to be an employee of the Corporation until such time as Grantee's employment is terminated by the Corporation by reason of Grantee's Disability (as defined in Section 12) and not for Cause (as defined in Section 12).

(iv) Grantee continues to be employed by the Corporation until such time as Grantee's employment with the Corporation is terminated by the Corporation and such termination is an Anticipatory Termination (as defined in Section 12).

(v) Grantee continues to be employed by the Corporation through the day immediately prior to the date a Change of Control (as defined in Section 12) occurs.

(vi) The Committee or other PNC Designated Person (as defined in Section 12) determines, in its sole discretion and prior to Grantee's Termination Date, that, with respect to all or a specified portion of Grantee's then outstanding Restricted Share Units that have not yet vested, the service requirements will be deemed to have been satisfied with respect to such share units; provided that if the Committee or other PNC Designated Person determines, in its sole discretion, that such deemed satisfaction of the service requirements shall be subject to any accompanying restrictions, terms or conditions, then such conditions shall have been timely satisfied (or shall be deemed to have been timely satisfied upon the earlier occurrence of Grantee's death or of a Change of Control) no later than by the end of the day immediately preceding the 5th anniversary of the Award Grant Date.

5.3 Forfeiture Upon Failure to Meet Service Requirements.

(a) Except as otherwise provided in subsection (b) below, if, at the time Grantee ceases to be employed by the Corporation, Grantee has failed to meet the service requirements with respect to all or a portion of the Award as set forth in Section 5.2 prior to or as of Grantee's Termination Date (as defined in Section 12), then all such outstanding Restricted Share Units that have so failed to meet such service requirements, together with the right to receive any payment on or after Grantee's Termination Date with respect to the Dividend Equivalents related to those Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee's Termination Date.

(b) If, at the time Grantee ceases to be employed by the Corporation, Grantee could still satisfy the service requirements for all or a portion of the Award pursuant to Section 5.2(vi) provided that Grantee satisfies all of the conditions, if any, required by the Committee or other PNC Designated Person for such provision to apply within the time so specified by the Committee or other PNC Designated Person and/or that provision, then the potential forfeiture of that portion of the Award for failure to meet the service requirements set forth in Section 5.2 (and payment with respect to Dividend Equivalents with respect to that portion of the Award) will be suspended until the earliest to occur of the following: (1) Grantee's failing to meet the service requirements of Section 5.2 upon the failure to satisfy such conditions at all or to satisfy such conditions within any time period specified by the Committee or other PNC Designated Person for such purpose or, if earlier or if no such time period is specified by the Committee or other PNC Designated Person, within the time period otherwise specified in such provision (i.e., no later than by the end of the day immediately preceding the 5th anniversary of the Award Grant Date); (2) the timely satisfaction of such conditions, if any, such that Grantee is considered to have met the service requirements of Section 5.2 for purposes of that portion of the Award; (3) Grantee's death; or (4) the occurrence of a Change of Control.

If such suspension is resolved adverse to Grantee pursuant to clause (1) above, then all outstanding Restricted Share Units, together with all payments with respect to the related Dividend Equivalents that had been suspended pending such resolution, will be automatically forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC, effective as of Grantee's Termination Date.

If such suspension is resolved pursuant to clause (2) above or by the occurrence of an event set forth in clause (3) or (4) above, then vesting of Restricted Share Units shall proceed in accordance with Section 6, as applicable, any Dividend Equivalents payments that had been suspended shall be paid, and payment of ongoing Dividend Equivalents, if any, shall resume in accordance with Section 4 as applicable. No interest shall be paid with respect to any suspended payments.

5.4 Forfeiture Upon Termination for Cause or Pursuant to Detrimental Conduct Provisions

(a) Termination for Cause. In the event that Grantee's employment with the Corporation is terminated by the Corporation for Cause prior to the 5th anniversary of the Award Grant Date and prior to the occurrence of a Change of Control, if any, then all then outstanding Restricted Share Units, together with the right to receive any payment on or after Grantee's Termination Date with respect to the Dividend Equivalents related to those Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee's Termination Date.

(b) Detrimental Conduct. At any time prior to the date that such Restricted Share Units vest in accordance with Section 6, Restricted Share Units and related Dividend Equivalents, or specified portion thereof, will be forfeited by Grantee to PNC and cancelled, without payment of any consideration by PNC, on the date and to the extent that PNC determines in its sole discretion to so cancel all or a specified portion of the Restricted Share Units and related Dividend Equivalents on the basis of its determination that Grantee has engaged in Detrimental Conduct as set forth in Section 12.11, whether such determination is made during the period of Grantee's employment with the Corporation or after Grantee's Termination Date; provided, however, that (i) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death and Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Share Units by will or the laws of descent and distribution in the event of Grantee's death; (ii) in the event that Grantee's termination of employment was an Anticipatory Termination, no determination that Grantee has engaged in Detrimental Conduct may be made on or after Grantee's Termination Date; (iii) no determination that Grantee has engaged in Detrimental Conduct may be made between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control; and (iv) no determination that Grantee has engaged in Detrimental Conduct may be made after the occurrence of a Change of Control (as defined in Section 12).

5.5 Suspension and Forfeiture Related to Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Share Units or any portion thereof are still outstanding and have not yet vested, the Committee or other PNC Designated Person may determine that the vesting of those Restricted Share Units and any further Dividend Equivalents payments shall be suspended.

Any such suspension of vesting shall continue until the earliest to occur of the following:

(1) resolution of the criminal proceedings in a manner that results in a conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation;

(2) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement;

(3) Grantee's death; or

(4) the occurrence of a Change of Control.

If the suspension is terminated by the occurrence of an event set forth in clause (1) above, those Restricted Share Units, together with all payments with respect to the related Dividend Equivalents that had been suspended, will, upon such occurrence, be automatically forfeited by Grantee to PNC, will not vest or be eligible to vest, and will be cancelled without payment of any consideration by PNC.

If the suspension is terminated by the occurrence of an event set forth in clause (2), (3) or (4) above, then vesting of those Restricted Share Units shall proceed in accordance with Section 6, as applicable, any Dividend Equivalents payments that had been suspended shall be paid, and payment of ongoing Dividend Equivalents, if any, shall resume in accordance with Section 4 as applicable. No interest shall be paid with respect to any suspended payments.

6. Vesting and Settlement of Restricted Share Units.

6.1 Vesting. Restricted Share Units will vest upon the earliest to occur of the events set forth in the subclauses below, provided that those Restricted Share Units have not been forfeited prior to such event pursuant to any of the provisions of Section 5 and remain outstanding at that time:

(i) the 3rd anniversary of the Award Grant Date in the case of the First Tranche of RSUs, the 4th anniversary of the Award Grant Date in the case of the Second Tranche of RSUs, and the 5th anniversary of the Award Grant Date in the case of the Third Tranche of RSUs, as the case may be, or, if later, on the date as of which any suspension imposed with respect to those Restricted Share Units pursuant to Section 5.5 is lifted without forfeiture of the units and the units vest, as applicable;

(ii) the date of Grantee's death; and

(iii) the end of the day immediately preceding the day a Change of Control (as defined in Section 12) occurs.

Restricted Share Units that have been forfeited by Grantee pursuant to the provisions of Section 5 are not eligible for vesting, will not settle and will be cancelled without payment of any consideration by PNC.

The Dividend Equivalents period with respect to Dividend Equivalents related to such Restricted Share Units will end and such Dividend Equivalents will terminate either on the vesting date for such Restricted Share Units in accordance with Section 6 or on the cancellation date for such Restricted Share Units in accordance with Section 5, as applicable.

6.2 Settlement. Restricted Share Units that have vested will be settled at the time set forth in Section 6.3 by delivery to Grantee of that number of whole shares of PNC common stock equal to the number of outstanding vested Restricted Share Units being settled or as otherwise provided pursuant to Section 8 if applicable.

No fractional shares will be delivered to Grantee. If the outstanding vested Restricted Share Units being settled include a fractional interest, such fractional interest will be liquidated and paid to Grantee in cash on the basis of the then current Fair Market Value (as defined in Section 12) of PNC common stock as of the vesting date (or as of the scheduled payment date pursuant to subsection (2) of the third bullet under Section 6.3 if payment is made pursuant to that provision as necessary) or in any case as otherwise provided in Section 10 or in Section 8 if applicable.

Delivery of shares and/or other payment pursuant to the Award will not be made unless and until all applicable tax withholding requirements with respect to such payment have been satisfied.

6.3 Payout Timing. Payment will be made to Grantee in settlement of outstanding Restricted Share Units that have vested as soon as practicable after the vesting date set forth in the applicable subclause of Section 6.1 for such RSUs, generally within 30 days but no later than December 31st of the calendar year in which the vesting date occurs, subject to the provisions of the following bullets, if applicable. No interest shall be paid with respect to any such payments hereunder.

- In the event that the vesting date pursuant to Section 6.1(i) is the date as of which any suspension imposed pursuant to Section 5.5 is lifted, payment will be made no later than the earlier of (a) 30 days after the vesting date and (b) December 31st of the calendar year in which the vesting date occurs.
- Where vesting occurs pursuant to Section 6.1(ii) upon Grantee's death, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later, the 15th day of the 3rd calendar month following the date of Grantee's death.

- Where vesting occurs pursuant to Section 6.1(iii) due to the occurrence of a Change of Control:

  (1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the U.S. Internal Revenue Code, payment will be made as soon as practicable after the Change of Control date, 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 U.S. 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 U.S. Internal Revenue Code, then payment will be made as soon as practicable after the date that would have been the scheduled vesting date for such Restricted Share Units had they vested pursuant to Section 6.1(i) rather than pursuant to Section 6.1(iii), but in no event later than December 31st of the calendar year in which such scheduled vesting date occurs.

- Where vesting occurs pursuant to Section 6.1(iii) due to the occurrence of a Change of Control and payment is scheduled, pursuant to subsection (2) of the bullet above, for as soon as practicable after the date that would have been the scheduled vesting date for such Restricted Share Units had they vested pursuant to Section 6.1(i) rather than pursuant to Section 6.1(iii), but Grantee dies prior to that scheduled payout date, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later (but not beyond the end of the calendar year in which the vesting would have occurred had such RSUs vested pursuant to Section 6.1(i) rather than pursuant to Section 6.1(iii)), the 15th day of the 3rd calendar month following the date of Grantee's death.

7. No Rights as Shareholder Until Issuance of Shares. Grantee will have no rights as a shareholder of PNC by virtue of this Award unless and until shares of PNC stock are issued and delivered in settlement of outstanding vested Restricted Share Units pursuant to and in accordance with Section 6.

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, if any, that outstanding vested Restricted Share Units are settled and paid, the Compensation Committee or its delegate shall make those adjustments, if any, in the number, class or kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award that it deems appropriate in its discretion to reflect 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 amount authorized for payment to Grantee pursuant to Section 6 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 value of any award amount authorized for payment to Grantee pursuant to Section 6 to be paid in cash at the applicable time specified in Section 6.

All determinations hereunder shall be made by the Compensation Committee or its delegate in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

8.2 Upon the occurrence of a Change of Control, (a) the number, class and kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally, (b) the value per share unit of any share-denominated award amount 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 entire value of any payment to be made to Grantee pursuant to Section 6 will be made solely in cash at the applicable time specified by Section 6.

9. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Restricted Share Units and related Dividend Equivalents may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If Grantee is deceased at the time any outstanding vested Restricted Share Units are settled and paid in accordance with the terms of Section 6, such delivery of shares and/or other 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 PNC.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative, or retained by PNC for taxes pursuant to Section 10, shall extinguish all right to payment hereunder.

10. Withholding Taxes. Where all applicable withholding tax obligations have not previously been satisfied, PNC will, at the time any such 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 amounts then payable hereunder to Grantee or, if none, from other compensation then payable to Grantee, or as otherwise determined by PNC.

Unless the Compensation Committee or other PNC Designated Person (as defined in Section 12) determines otherwise, where amounts are then payable hereunder to Grantee in the form of shares of PNC common stock, the Corporation will retain whole shares from any such amounts until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligation. In the event that amounts then payable to Grantee include a fractional interest, withholding may be made in the form of shares with respect to such fractional interest. In the event that amounts are not then payable hereunder to Grantee in the form of shares or that such withholdings are otherwise not sufficient to meet the minimum amount of taxes then required to be withheld, withholding will be made from any amounts then payable hereunder to Grantee that are settled in cash until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligation.

If any withholding is required prior to the time amounts are payable to Grantee hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to Grantee or as otherwise determined by PNC.

For purposes of this Section 10, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value (as defined in Section 12) 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. The Corporation will not retain Shares for this purpose. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection herewith, no additional withholding may be made.

11. Employment. Neither the granting of the Restricted Share Units and related Dividend Equivalents award nor any payment with respect to such Award authorized 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. Certain Definitions. Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

12.1 "Agreement," "Award Agreement;" "Award;" "Award Grant Date."

"Agreement" or "Award Agreement" means the Stock-Payable Restricted Share Units Award Agreement between PNC and Grantee evidencing the Restricted Share Units with related Dividend Equivalents award granted to Grantee pursuant to the Plan.

"Award" means the Restricted Share Units with related Dividend Equivalents award granted to Grantee pursuant to the Plan and evidenced by the Agreement.

"Award Grant Date" means the Award Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Share Units and related Dividend Equivalents are authorized to be granted by the Committee in accordance with the Plan.

12.2 "Anticipatory Termination" If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause as defined in this Section 12.2, 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 in anticipation of a Change of Control, such a termination of employment is an "Anticipatory Termination."

For purposes of this Section 12.2, “Cause” shall mean:

(a) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee’s duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee’s superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee’s employment with the Corporation for Cause for purposes of this Section 12.2 only if and when there shall have been delivered to Grantee, as part of the notice of Grantee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

12.3 “Board” means the Board of Directors of PNC.

12.4 “Cause” and “termination for Cause.”

Except as otherwise required by Section 12.2 in connection with the definition of Anticipatory Termination set forth in therein, “Cause” means:

(a) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee’s duties;

(b) a material breach by Grantee of (1) any code of conduct of PNC or 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;

(c) 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;

(d) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(e) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any of its subsidiaries, that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

The cessation of employment of Grantee will be deemed to have been a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (a), (b) or (c) above or that an event described in clause (d) or (e) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

12.5 "CEO" means the chief executive officer of PNC.

12.6 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section 12.6(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section 12.6(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

12.7 "Compensation Committee" or "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.

12.8 "Competitive Activity."

"Competitive Activity" while Grantee is an employee of the Corporation 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 (1) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary or (2) engaged in business activities that Grantee knows PNC or any subsidiary intends to enter within the next twelve (12) months, 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.

"Competitive Activity" on or after Grantee's Termination Date 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 that 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 subsection (a), clause (ii) of the definition of Detrimental Conduct in Section 12.11, 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.

For purposes of Competitive Activity as defined in this Section 12.8, and for purposes of the definition of competitive activity in any other PNC restricted share unit or in any PNC restricted stock, stock option, or other equity-based award or awards held by Grantee, however, the term subsidiary or subsidiaries shall not include companies in which the Corporation holds an interest pursuant to its merchant banking authority.

12.9 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under U.S. generally accepted accounting principles and (2) satisfies the definition of "service recipient" under Section 409A of the U.S. Internal Revenue Code.

12.10 "Corporation" means PNC and its Consolidated Subsidiaries.

12.11 "Detrimental Conduct" means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given or withheld at PNC's sole discretion), in any Competitive Activity as defined in Section 12.8 in the continental United States at any time during the period of Grantee's employment with the Corporation 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 Compensation Committee or other PNC Designated Person, as applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee and, if so, (1) determines in its sole discretion that Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement and (2) determines in its sole discretion to cancel all or a specified portion of the Restricted Share Units that have not yet vested in accordance with Section 6 and of the Dividend Equivalents related to such Restricted Share Units, including Dividend Equivalents related to such Restricted Share Units that may already have been paid to Grantee, on the basis of such determination that Grantee has engaged in Detrimental Conduct.

12.12 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the U.S. Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for U.S. Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

12.13 "Dividend Equivalents" means the opportunity to receive dividend equivalents granted to Grantee pursuant to the Plan in connection with the Restricted Share Units to which they relate and evidenced by the Agreement.

12.14 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means (a) 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 or, if the Committee has so acted, (b) fair market value as determined using such other reasonable method adopted by the Committee in good faith for such purpose that uses actual transactions in PNC common stock as reported by a national securities exchange or the Nasdaq National Market, provided that such method is consistently applied.

12.15 "GAAP" or "U.S. generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

12.16 "Grantee" means the person to whom the Restricted Share Units with related Dividend Equivalents award is granted and is identified as Grantee on page 1 of the Agreement.

12.17 "Internal Revenue Code" or "U.S. Internal Revenue Code" means the United States Internal Revenue Code of 1986 as amended and the rules and regulations promulgated thereunder.

12.18 "Person" has the meaning specified in the definition of Change of Control in Section 12.6(a).

12.19 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan as amended from time to time.

12.20 "PNC" means The PNC Financial Services Group, Inc.

12.21 "PNC Designated Person" or "Designated Person" will be: (a) the Compensation Committee or its delegate if Grantee is (or was when Grantee ceased to be an employee of the Corporation) either a member of the Corporate Executive Group (or equivalent successor classification) or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Compensation Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as Designated Person for purposes of the Agreement.

12.22 "Restricted Share Units" or "RSUs" means the Share-denominated award opportunity of the number of restricted share units specified as the Restricted Share Units on page 1 of the Agreement, subject to capital adjustments pursuant to Section 8 if any, granted to Grantee pursuant to the Plan and evidenced by the Agreement.

12.23 "SEC" means the United States Securities and Exchange Commission.

12.24 "Section 409A" means Section 409A of the U.S. Internal Revenue Code.

12.25 "Service relationship" or "having a service relationship with the Corporation" means being engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

12.26 "Share" means a share of PNC common stock.

12.27 "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 U.S. 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.

12.28 "Tranche" and "First, Second or Third Tranche" have the meanings set forth in Section 3.

13. Grantee Covenants.

13.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 13 and 14 by virtue of receiving this Restricted Share Units with related Dividend Equivalents award (regardless of whether such share units or any portion thereof ultimately vest and settle and regardless of whether any such dividend equivalents are ultimately paid); 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.

13.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 13.2 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 Grantee's 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 Grantee's Termination Date, or (iii) was, as of Grantee's 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 13.2 shall no longer apply and shall be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of one year after Grantee's 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.

13.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee shall 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.

13.4 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 13.4 shall be performed by Grantee without further compensation and shall continue beyond Grantee's Termination Date.

14. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

14.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the Federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

14.2 Equitable Remedies. A breach of the provisions of any of Sections 13.2, 13.3 or 13.4 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.

14.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 13.2 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.

14.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

14.5 Severability. The restrictions and obligations imposed by Sections 13.2, 13.3, 13.4, 14.1 and 14.7 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 shall remain valid and binding upon Grantee.

14.6 Reform. In the event any of Sections 13.2, 13.3 and 13.4 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.

14.7 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 13.2, 13.3 and 13.4.

14.8 Compliance with U.S. Internal Revenue Code Section 409A. It is the intention of the parties that the Award and the Agreement comply with the provisions of Section 409A of the U.S. Internal Revenue Code to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A of the U.S. Internal Revenue Code, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Award to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A of the U.S. Internal Revenue Code or to provide such payments or benefits in a manner that complies with the provisions of Section 409A of the U.S. Internal Revenue Code such that they will not be taxable thereunder.

14.9 Applicable Law; Clawback. 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 applicable to Grantee, the Award, and any right to receive and retain any Shares or other value pursuant to the Award, shall be subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under any clawback, adjustment or similar policy of PNC in effect on the Award Grant Date or that may be established thereafter and to any clawback or recoupment that may be required by applicable law or regulation.

14.10 Subject to the Plan and Interpretations. In all respects the Award and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Award and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Compensation Committee, or its delegate or under the authority of the Compensation Committee, whether made or issued before or after the Award Grant Date.

14.11 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.

14.12 Modification. Modifications or adjustments to the terms of this Agreement may be made by PNC as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement shall be effective unless embodied in a separate, subsequent writing signed by Grantee and by an authorized representative of PNC.

15. Acceptance of Award; PNC Right to Cancel; Effectiveness of Agreement. If Grantee does not accept the Award by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within 30 days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Award at any time prior to Grantee's delivery to PNC of an unaltered and unchanged

copy of the Agreement so executed by Grantee. Otherwise, upon such execution and delivery of the Agreement by both PNC and Grantee, the Agreement is effective as of the Award Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

____

Grantee

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

* * *

20 STOCK-PAYABLE RESTRICTED SHARE UNITS
AWARD AGREEMENT

* * *

GRANTEE:	[Name]
AWARD GRANT DATE:	, 20
RESTRICTED SHARE UNITS:	[number] share units

1. Definitions. Certain terms used in this 20 Stock-Payable Restricted Share Units Award Agreement (the “Agreement” or “Award Agreement”) are defined in Section 12 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 as amended from time to time.

2. Restricted Share Units with Related Dividend Equivalents Award. 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 award opportunity of stock-payable restricted share units (“Restricted Share Units” or “RSUs”) of the number of share units set forth above, together with the opportunity to receive related dividend equivalents to the extent provided herein (“Dividend Equivalents”), payable in cash, with respect to those share units (together, the “Award”). The Award is subject to acceptance by Grantee in accordance with Section 15 and is subject to the terms and conditions of the Agreement and to the Plan.

3. Terms of Award. The Award is subject to the terms and conditions set forth in the Agreement and to the Plan.

3.1 No Service Requirements. Grantee must be an employee of the Corporation on the Award Grant Date. There is no continuing service requirement for the Award.

3.2 Initial Tax Withholding; Tax Share Units. Any Federal Insurance Contributions Act (FICA) employee taxes required in connection with and at the time of grant of the Award, and any Federal, state or local tax amounts related to the payment of such FICA taxes or to required minimum income tax withholding in connection with the payout at the time of grant of sufficient of the Restricted Share Units to pay the employee FICA taxes and all related taxes (including additional income taxes required by virtue of the pyramiding of wages and taxes), shall be paid first from the retention of the Shares resulting from the payout at that time of the Tax Share Units (as described below) and then any remaining amount shall be withheld from other compensation then payable to Grantee. The Tax Share Units will vest and be paid out in shares of PNC common stock in accordance with the applicable provisions of Section 6 at the time of grant and those payout Shares will be retained by PNC, all for the sole purpose of the payment of required employee FICA and other taxes in accordance with this Section 3.2 and Section 10.1.

The Tax Share Units shall be that number of the Restricted Share Units of the Award equal to the aggregate of the First Day Tax Withholding amounts (in dollars), as described below, divided by the Fair Market Value (as defined in Section 12) of a share of PNC common stock on the Award Grant Date, rounded down to the nearest whole share unit; provided, however, that the Tax Share Units shall in no event exceed the number of share units the payout of which is permitted to be accelerated for the purposes of the payment of FICA taxes and any Federal, state and local taxes related to the payment of such FICA taxes (including additional income taxes required by virtue of the pyramiding of wages and taxes) in accordance with Section 409A of the U.S. Internal Revenue Code.

The First Day Tax Withholding amounts shall be (i) the dollar amount of the employee FICA taxes imposed with respect to the Award at the time of grant and any state or local taxes related to the payment of such FICA taxes, plus (ii) the dollar amount of Federal, state and local income tax required to be withheld on the income recognized by virtue of the payout of sufficient Restricted Share Units such that the retention of the Shares so paid out will be sufficient to satisfy the payment of the dollar amount of taxes described in clause (i) hereof, plus (iii) the dollar amount of Federal, state and local income tax required to be withheld on the income recognized by virtue of the payout of sufficient additional Restricted Share Units to satisfy the required income tax withholding on the dollar amount described in clause (ii) hereof, and so on with respect to the income taxes related to the compensation income attributable to the pyramiding of paying out sufficient additional share units to satisfy each successive amount of required income tax withholding.

Applicable tax withholding obligations not satisfied at the time of grant as described above will be satisfied as provided in Section 10.2.

3.3 Tranches. The Restricted Share Units in the Award that are not Tax Share Units (that is, the total number of Restricted Share Units set forth on page 1 of the Agreement minus the number of Tax Share Units) are divided into three installments or tranches for purposes of determining the conduct and other conditions and provisions applicable to each portion of the RSUs and related Dividend Equivalents under the Agreement. This includes the conditions set forth in Section 4 related to Dividend Equivalents and the conditions set forth in Sections 5 and 6 relating to conduct-related provisions and forfeitures and to vesting and settlement provisions for each tranche.

The three Restricted Share Units and related Dividend Equivalents tranches (each, a “Tranche”) are set forth below:

- one-third of the share units that are not Tax Share Units (rounded down to the nearest whole unit) are in the first tranche (“First Tranche”);

- one-half of the remaining share units that are not Tax Share Units (rounded down to the nearest whole unit) are in the second tranche (“Second Tranche”); and
- the remainder of the share units that are not Tax Share Units are in the third tranche (“Third Tranche”).

3.4 Restricted Share Units and Dividend Equivalents are not transferable. Restricted Share Units and related Dividend Equivalents are subject to forfeiture pursuant to the applicable conduct and other terms and conditions of the Agreement until vesting of the Restricted Share Units in accordance with the terms of the Agreement.

Provided that Restricted Share Units are not forfeited in accordance with the terms of Section 5 and vest in accordance with the terms of Section 6, those RSUs will be settled and paid out, generally in shares of PNC common stock, pursuant to and in accordance with the terms of Section 6. Restricted Share Units that are forfeited by Grantee pursuant to and in accordance with the terms of the conduct provisions of Section 5 will be cancelled without payment of any consideration by PNC.

The right to ongoing Dividend Equivalents is granted in connection with the Tranche of Restricted Share Units to which those Dividend Equivalents relate and therefore shall terminate, without payment of any consideration by PNC, upon the cancellation or vesting, whichever is applicable, of the Tranche of Restricted Share Units to which those Dividend Equivalents relate. Due to the timing of the vesting of the Tax Share Units, no related Dividend Equivalents will be payable with respect to the Tax Share Units.

4. Dividend Equivalents.

Dividend Equivalents. These Dividend Equivalents are related to the Restricted Share Units other than the Tax Share Units, and Dividend Equivalents payments are applicable for the period during which the Tranche of Restricted Share Units to which they relate is outstanding. Dividend Equivalents apply to the period from and after the Award Grant Date until such time as the applicable Tranche of Restricted Share Units granted in connection with those Dividend Equivalents either (i) vests pursuant to and in accordance with the terms of Section 6 or (ii) is cancelled upon forfeiture in accordance with the terms of Section 5. At the end of such period (either the vesting date in accordance with Section 6 or cancellation date in accordance with Section 5), the related Dividend Equivalents terminate.

Once the Agreement is effective in accordance with Section 15 and subject to the terms and conditions of this Section 4, the Corporation will make Dividend Equivalents payments to Grantee, where applicable, of cash equivalent to the amounts of the quarterly cash dividends Grantee would have received, if any, had the Restricted Share Units to which such Dividend Equivalents relate been shares of PNC common stock issued and outstanding on the record dates for cash dividends on PNC common stock that occur during the applicable Dividend Equivalents period.

Due to the timing of the vesting of the Tax Share Units, no related Dividend Equivalents will be payable with respect to the Tax Share Units.

Payment. The Corporation will make Dividend Equivalents payments to Grantee where applicable pursuant to this Section 4 each quarter following the dividend payment date that relates to such record date, if any. Dividend Equivalents will not be payable with respect to a dividend unless the Restricted Share Units to which the Dividend Equivalents relate were outstanding on the dividend record date for such dividend. Such amounts shall be paid in cash in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees within 30 days after the applicable dividend payment date.

Dividend Equivalents payments are also subject to the additional conditions set forth below.

Additional Conditions. Except as otherwise provided in Sections 5.2(b), 12.11, and 14.9, termination or cancellation of the right to ongoing Dividend Equivalents will have no effect on cash payments made pursuant to this Section 4 prior to such termination or cancellation.

If the termination of the right to ongoing Dividend Equivalents occurs after the dividend record date for a quarter but before the related dividend payment date, the Corporation will nonetheless make such a quarterly dividend equivalents payment to Grantee with respect to that record date, if any.

Where payment of Dividend Equivalents that would otherwise be made is suspended pursuant to Section 5.3 pending resolution of a potential forfeiture of the Restricted Share Units, then such payment will be made only if and when the suspension is terminated for reasons favorable to Grantee and the Restricted Share Units are not forfeited. No interest shall be paid with respect to any suspended payments. If the suspension is terminated for reasons adverse to Grantee, both the Restricted Share Units and any suspended Dividend Equivalents payments will be forfeited without payment.

5. Forfeiture Provisions; Termination Upon Failure to Meet Applicable Conduct Conditions.

5.1 Termination Upon Forfeiture of Units. The Award is subject to the forfeiture provisions set forth in this Section 5. Upon forfeiture and cancellation of Restricted Share Units, or specified portion thereof, and the right to receive payment with respect to the Dividend Equivalents related to such Restricted Share Units, pursuant to the terms and conditions of this Section 5, the Award will terminate with respect to such RSUs and related Dividend Equivalents, and neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in the Restricted Share Units or the related right to Dividend Equivalents evidenced by the Agreement with respect to such RSUs and related Dividend Equivalents, or specified portion thereof, as applicable.

5.2 Forfeiture Upon Termination for Cause or Pursuant to Detrimental Conduct Provisions.

(a) Termination for Cause. In the event that Grantee's employment with the Corporation is terminated by the Corporation for Cause prior to the 3rd anniversary of the Award Grant Date and prior to the occurrence of a Change of Control, if any, then all then outstanding Restricted Share Units, together with the right to receive any payment on or after Grantee's Termination Date with respect to the Dividend Equivalents related to those Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee's Termination Date.

(b) Detrimental Conduct. At any time prior to the date that such Restricted Share Units vest in accordance with Section 6, Restricted Share Units and related Dividend Equivalents, or specified portion thereof, will be forfeited by Grantee to PNC and cancelled, without payment of any consideration by PNC, on the date and to the extent that PNC determines in its sole discretion to so cancel all or a specified portion of the Restricted Share Units and related Dividend Equivalents on the basis of its determination that Grantee has engaged in Detrimental Conduct as set forth in Section 12.11, whether such determination is made during the period of Grantee's employment with the Corporation or after Grantee's Termination Date; provided, however, that (i) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death and Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Share Units by will or the laws of descent and distribution in the event of Grantee's death; (ii) no determination that Grantee has engaged in Detrimental Conduct may be made between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control; and (iii) no determination that Grantee has engaged in Detrimental Conduct may be made after the occurrence of a Change of Control (as defined in Section 12).

5.3 Suspension and Forfeiture Related to Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Share Units or any portion thereof are still outstanding and have not yet vested, the vesting of those Restricted Share Units and any further Dividend Equivalent payments shall be automatically suspended.

Such suspension of vesting shall continue until the earliest to occur of the following:

(1) resolution of the criminal proceedings in a manner that results in a conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation;

(2) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement;

(3) Grantee's death; or

(4) the occurrence of a Change of Control.

If the suspension is terminated by the occurrence of an event set forth in clause (1) above, those Restricted Share Units, together with all payments with respect to the related Dividend Equivalents that had been suspended, will, upon such occurrence, be automatically forfeited by Grantee to PNC, will not vest or be eligible to vest, and will be cancelled without payment of any consideration by PNC.

If the suspension is terminated by the occurrence of an event set forth in clause (2), (3) or (4) above, then vesting of those Restricted Share Units shall proceed in accordance with Section 6, as applicable, any Dividend Equivalents payments that had been suspended shall be paid, and payment of ongoing Dividend Equivalents, if any, shall resume in accordance with Section 4 as applicable. No interest shall be paid with respect to any suspended payments.

6. Vesting and Settlement of Restricted Share Units.

6.1 Vesting. Restricted Share Units will vest upon the earliest to occur of the events set forth in the subclauses below, provided that those Restricted Share Units have not been forfeited prior to such event pursuant to any of the provisions of Section 5 and remain outstanding at that time:

(i) the Award Grant Date in the case of the Tax Share Units;

(ii) the 1st anniversary of the Award Grant Date in the case of the First Tranche of RSUs, the 2nd anniversary of the Award Grant Date in the case of the Second Tranche of RSUs, and the 3rd anniversary of the Award Grant Date in the case of the Third Tranche of RSUs, as the case may be, or, if later, on the date as of which any suspension imposed with respect to those RSUs pursuant to Section 5.3 is lifted without forfeiture of the units and the units vest, as applicable;

(iii) the date of Grantee's death; and

(iv) the end of the day immediately preceding the day a Change of Control (as defined in Section 12) occurs.

Restricted Share Units that have been forfeited by Grantee pursuant to the provisions of Section 5 are not eligible for vesting, will not settle and will be cancelled without payment of any consideration by PNC.

The Dividend Equivalents period with respect to Dividend Equivalents related to such Restricted Share Units will end and such Dividend Equivalents will terminate either on the vesting date for such Restricted Share Units in accordance with Section 6 or on the cancellation date for such Restricted Share Units in accordance with Section 5, as applicable.

6.2 Settlement.

(a) Tax Share Units. Vested Tax Share Units will be settled at the time set forth in Section 6.3 for the payout of Tax Share Units by delivery of that number of whole shares of PNC common stock equal to the number of vested Tax Share Units being settled.

(b) Except as otherwise provided in Section 6.2 (a) above, Restricted Share Units that have vested will be settled at the time set forth in Section 6.3 by delivery to Grantee of that number of whole shares of PNC common stock equal to the number of outstanding vested Restricted Share Units being settled or as otherwise provided pursuant to Section 8 if applicable.

No fractional shares will be delivered to Grantee. If the outstanding vested Restricted Share Units being settled include a fractional interest, such fractional interest will be liquidated and paid to Grantee in cash on the basis of the then current Fair Market Value (as defined in Section 12) of PNC common stock as of the vesting date (or as of the scheduled payment date pursuant to subsection (2) of the third bullet under Section 6.3(b) if payment is made pursuant to that provision as necessary) or in any case as otherwise provided in Section 8 if applicable.

Delivery of shares and/or other payment pursuant to the Award will not be made unless and until all applicable tax withholding requirements with respect to such payment have been satisfied.

6.3 Payout Timing.

(a) Tax Share Units. Payment will be made in settlement of the vested Tax Share Units as soon as practicable upon the vesting of those share units as set forth in subclause (i) of Section 6.1, and the shares of PNC common stock so paid out in settlement of the vested Tax Share Units will be retained by PNC for FICA and other tax withholding in accordance with Sections 3.2 and 10.1.

(b) Except as otherwise provided in Section 6.3 (a) above, payment will be made to Grantee in settlement of outstanding Restricted Share Units that have vested as soon as practicable after the vesting date set forth in the applicable subclause of Section 6.1 for such RSUs, generally within 30 days but no later than December 31st of the calendar year in which the vesting date occurs, subject to the provisions of the following bullets, if applicable. No interest shall be paid with respect to any such payments hereunder.

- In the event that the vesting date pursuant to Section 6.1(ii) is the date as of which any suspension imposed pursuant to Section 5.3 is lifted, payment will be made no later than the earlier of (a) 30 days after the vesting date and (b) December 31st of the calendar year in which the vesting date occurs.
- Where vesting occurs pursuant to Section 6.1(iii) upon Grantee's death, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later, the 15th day of the 3rd calendar month following the date of Grantee's death.
- Where vesting occurs pursuant to Section 6.1(iv) due to the occurrence of a Change of Control:

  (1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the U.S. Internal Revenue Code, payment will be made as soon as practicable after the Change of Control date, 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 U.S. 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 U.S. Internal Revenue Code, then payment will be made as soon as practicable after the date that would have been the scheduled vesting date for such Restricted Share Units had they vested pursuant to Section 6.1(ii) rather than pursuant to Section 6.1(iv), but in no event later than December 31st of the calendar year in which such scheduled vesting date occurs.
- Where vesting occurs pursuant to Section 6.1(iv) due to the occurrence of a Change of Control and payment is scheduled, pursuant to subsection (2) of the bullet above, for as soon as practicable after the date that would have been the scheduled vesting date for such Restricted Share Units had they vested pursuant to Section 6.1(ii) rather

than pursuant to Section 6.1(iv), but Grantee dies prior to that scheduled payout date, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later (but not beyond the end of the calendar year in which the vesting would have occurred had such RSUs vested pursuant to Section 6.1(ii) rather than pursuant to Section 6.1(iv)), the 15th day of the 3rd calendar month following the date of Grantee's death.

7. No Rights as Shareholder Until Issuance of Shares. Grantee will have no rights as a shareholder of PNC by virtue of this Award unless and until Shares are issued and delivered in settlement of outstanding vested Restricted Share Units pursuant to and in accordance with Section 6.

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, if any, that outstanding vested Restricted Share Units are settled and paid, the Compensation Committee or its delegate shall make those adjustments, if any, in the number, class or kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award that it deems appropriate in its discretion to reflect 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 amount authorized for payment to Grantee pursuant to Section 6 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 value of any award amount authorized for payment to Grantee pursuant to Section 6 to be paid in cash at the applicable time specified in Section 6.

All determinations hereunder shall be made by the Compensation Committee or its delegate in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

8.2 Upon the occurrence of a Change of Control, (a) the number, class and kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally, (b) the value per share unit of any share-denominated award amount 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 entire value of any payment to be made to Grantee pursuant to Section 6 will be made solely in cash at the applicable time specified by Section 6.

9. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Restricted Share Units and related Dividend Equivalents may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If Grantee is deceased at the time any outstanding vested Restricted Share Units are settled and paid in accordance with the terms of Section 6, such delivery of shares and/or other 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 PNC.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative, or retained by PNC for taxes pursuant to Sections 3, 6 and 10, shall extinguish all right to payment hereunder.

10. Withholding Taxes.

10.1 The Corporation will retain the whole shares of PNC common stock payable hereunder upon settlement of the Tax Share Units to satisfy the employee FICA taxes imposed on the Award at the time of grant, any state or local taxes related to the payment of such FICA taxes, and all minimum Federal, state or local income tax withholding requirements with respect to the payout of Tax Share Units. Any tax withholding obligation with respect to such FICA and other taxes remaining after the retention of Shares for the purpose of payment of such taxes will be satisfied by the Corporation by withholding for such purpose from other compensation then payable to Grantee, or as otherwise determined by PNC.

For purposes of this Section 10.1, shares of PNC common stock retained to satisfy applicable FICA and other withholding tax requirements will be valued at their Fair Market Value (as defined in Section 12) on the date the tax withholding obligation arises (that is, on the Award Grant Date).

10.2 Where all applicable withholding tax obligations have not previously been satisfied, PNC will, at the time any such 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 amounts then payable hereunder to Grantee or, if none, from other compensation then payable to Grantee, or as otherwise determined by PNC.

Unless the Compensation Committee or other PNC Designated Person (as defined in Section 12) determines otherwise, where amounts are then payable hereunder to Grantee in the form of shares of PNC common stock, the Corporation will retain whole shares from any such amounts until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligation. In the event that amounts are not then payable hereunder to Grantee in the form of shares or that such withholdings are otherwise not sufficient to meet the minimum amount of taxes then required to be withheld, withholding will be made from any amounts then payable hereunder to Grantee that are settled in cash until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligation.

If any withholding is required prior to the time amounts are payable to Grantee hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to Grantee or as otherwise determined by PNC.

For purposes of this Section 10.2, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value (as defined in Section 12) 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. The Corporation will not retain Shares for this purpose. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection herewith, no additional withholding may be made.

11. Employment. Neither the granting of the Restricted Share Units and related Dividend Equivalents award nor any payment with respect to such Award authorized 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. Certain Definitions. Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

12.1 "Agreement" or "Award Agreement."

"Agreement" or "Award Agreement" means the 20 Stock-Payable Restricted Share Units Award Agreement between PNC and Grantee evidencing the Restricted Share Units with related Dividend Equivalents award granted to Grantee pursuant to the Plan.

12.2 "Award;" "Award Grant Date."

"Award" means the Restricted Share Units with related Dividend Equivalents award granted to Grantee pursuant to the Plan and evidenced by the Agreement.

"Award Grant Date" means the Award Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Share Units and related Dividend Equivalents are authorized to be granted by the Committee in accordance with the Plan.

12.3 "Board" means the Board of Directors of PNC.

12.4 "Cause" and "termination for Cause." For purposes of the Agreement, "Cause" means:

(a) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(b) a material breach by Grantee of (1) any code of conduct of PNC or 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;

(c) 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;

(d) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(e) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any of its subsidiaries, that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

The cessation of employment of Grantee will be deemed to have been a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (a), (b) or (c) above or that an event described in clause (d) or (e) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

12.5 "CEO" means the chief executive officer of PNC.

12.6 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section 12.6(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section 12.6(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

12.7 "Compensation Committee" or "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.

12.8 "Competitive Activity."

"Competitive Activity" while Grantee is an employee of the Corporation 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 (1) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary or (2) engaged in business activities that Grantee knows PNC or any subsidiary intends to enter within the next twelve (12) months, 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.

"Competitive Activity" on or after Grantee's Termination Date 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 that 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 subsection (a), clause (ii) of the definition of Detrimental Conduct in Section 12.11, 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.

For purposes of Competitive Activity as defined in this Section 12.8, and for purposes of the definition of competitive activity in any other PNC restricted share unit or in any PNC restricted stock, stock option, or other equity-based award or awards held by Grantee, however, the term subsidiary or subsidiaries shall not include companies in which the Corporation holds an interest pursuant to its merchant banking authority.

12.9 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under U.S. generally accepted accounting principles and (2) satisfies the definition of "service recipient" under Section 409A of the U.S. Internal Revenue Code.

12.10 "Corporation" means PNC and its Consolidated Subsidiaries.

12.11 "Detrimental Conduct" means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given or withheld at PNC's sole discretion), in any Competitive Activity as defined in Section 12.8 in the continental United States at any time during the period of Grantee's employment with the Corporation 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 Compensation Committee or other PNC Designated Person, as applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee and, if so, (1) determines in its sole discretion that Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement and (2) determines in its sole discretion to cancel all or a specified portion of the Restricted Share Units that have not yet vested in accordance with Section 6 and of the Dividend Equivalents related to such Restricted Share Units, including Dividend Equivalents related to such Restricted Share Units that may already have been paid to Grantee, on the basis of such determination that Grantee has engaged in Detrimental Conduct.

12.12 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the U.S. Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for U.S. Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

12.13 "Dividend Equivalents" means the opportunity to receive dividend equivalents granted to Grantee pursuant to the Plan in connection with the Restricted Share Units to which they relate and evidenced by the Agreement.

12.14 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

12.15 "GAAP" or "U.S. generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

12.16 "Grantee" means the person to whom the Restricted Share Units with related Dividend Equivalents award is granted and is identified as Grantee on page 1 of the Agreement.

12.17 "Internal Revenue Code" or "U.S. Internal Revenue Code" means the United States Internal Revenue Code of 1986 as amended and the rules and regulations promulgated thereunder.

12.18 "Person" has the meaning specified in the definition of Change of Control in Section 12.6(a).

12.19 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan as amended from time to time.

12.20 "PNC" means The PNC Financial Services Group, Inc.

12.21 "PNC Designated Person" or "Designated Person" will be: (a) the Compensation Committee or its delegate if Grantee is (or was when Grantee ceased to be an employee of the Corporation) either a member of the Corporate Executive Group (or equivalent successor classification) or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Compensation Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as Designated Person for purposes of the Agreement.

12.22 "Restricted Share Units" or "RSUs" means the Share-denominated award opportunity of the number of share units specified as the Restricted Share Units on page 1 of the Agreement, subject to capital adjustments pursuant to Section 8 if any, granted to Grantee pursuant to the Plan and evidenced by the Agreement.

12.23 "SEC" means the United States Securities and Exchange Commission.

12.24 "Section 409A" means Section 409A of the U.S. Internal Revenue Code.

12.25 "Service relationship" or "having a service relationship with the Corporation" means being engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

12.26 "Share" means a share of PNC common stock.

12.27 "Tax Share Units" has the meaning set forth in Section 3.

12.28 "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 U.S. 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.

12.29 "Tranche" and "First, Second or Third Tranche" have the meanings set forth in Section 3.

13. Grantee Covenants.

13.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 13 and 14 by virtue of receiving this Restricted Share Units with related Dividend Equivalents award (regardless of whether such share units or any portion thereof ultimately vest and settle); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

13.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 13.2 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 Grantee's 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 Grantee's Termination Date, or (iii) was, as of Grantee's 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.

13.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee shall 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.

13.4 <u>Ownership of Inventions</u>. 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 13.4 shall be performed by Grantee without further compensation and shall continue beyond Grantee's Termination Date.

14. <u>Enforcement Provisions</u>. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

14.1 <u>Governing Law and Jurisdiction</u>. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the Federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

14.2 <u>Equitable Remedies</u>. A breach of the provisions of any of Sections 13.2, 13.3 or 13.4 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.

14.3 <u>Tolling Period</u>. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 13.2 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.

14.4 <u>No Waiver</u>. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

14.5 Severability. The restrictions and obligations imposed by Sections 13.2, 13.3, 13.4, 14.1 and 14.7 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 shall remain valid and binding upon Grantee.

14.6 Reform. In the event any of Sections 13.2, 13.3 and 13.4 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.

14.7 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 13.2, 13.3 and 13.4.

14.8 Compliance with U.S. Internal Revenue Code Section 409A. It is the intention of the parties that the Award and the Agreement comply with the provisions of Section 409A of the U.S. Internal Revenue Code to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A of the U.S. Internal Revenue Code, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Award to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed “deferred compensation” within the meaning of Section 409A of the U.S. Internal Revenue Code or to provide such payments or benefits in a manner that complies with the provisions of Section 409A of the U.S. Internal Revenue Code such that they will not be taxable thereunder.

14.9 Applicable Law; Clawback. 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 applicable to Grantee, the Award, and any right to receive and retain any Shares or other value pursuant to the Award, shall be subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under any clawback, adjustment or similar policy of PNC in effect on the Award Grant Date or that may be established thereafter and to any clawback or recoupment that may be required by applicable law.

14.10 Subject to the Plan and Interpretations. In all respects the Award and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Award and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Compensation Committee, or its delegate or under the authority of the Compensation Committee, whether made or issued before or after the Award Grant Date.

14.11 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.

14.12 Modification. Modifications or adjustments to the terms of this Agreement may be made by PNC as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement shall be effective unless embodied in a separate, subsequent writing signed by Grantee and by an authorized representative of PNC.

15. Acceptance of Award; PNC Right to Cancel; Effectiveness of Agreement. If Grantee does not accept the Award by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within 30 days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Award at any time prior to Grantee’s delivery to PNC of an unaltered and unchanged copy of the Agreement so executed by Grantee. Otherwise, upon such execution and delivery of the Agreement by both PNC and Grantee, the Agreement is effective as of the Award Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

PERFORMANCE UNITS

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

* * *

CORPORATE EXECUTIVE GROUP
PERFORMANCE-BASED STOCK-PAYABLE
RESTRICTED SHARE UNITS
AWARD AGREEMENT

* * *

GRANTEE:	[Name]
AWARD GRANT DATE:	, 20
SHARE UNITS:	[whole number of share units]

1. Definitions.

Certain terms used in this Corporate Executive Group Performance-Based Stock-Payable Restricted Share Units Award Agreement (the "Agreement" or "Award 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 as amended from time to time.

2. Performance RSUs with Related Dividend Equivalents Award

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 award opportunity of restricted share units ("Performance RSUs") of the number of share units set forth above, together with the opportunity to receive related dividend equivalents to the extent provided herein ("Dividend Equivalents"), payable in cash, with respect to those share units (together, the "Award"). The Award is subject to acceptance by Grantee in accordance with Section 18 and is subject to the terms and conditions of the Award Agreement, including service and conduct conditions, corporate performance conditions and related adjustments, risk performance conditions and related adjustments, and forfeiture provisions, and to the Plan.

3. Terms of Award.

For the purpose of determining service and conduct conditions, corporate performance conditions and related adjustments, risk performance conditions and related adjustments, forfeiture provisions, and other conditions and provisions applicable to each portion of the Performance RSUs and related Dividend Equivalents under the Award Agreement, the Award is divided into four installments or tranches.

This includes the provisions set forth in Section 4 related to Dividend Equivalents and the provisions set forth in Sections 5, 6 and 7 relating to (1) specified service conditions and service-related forfeiture provisions, (2) specified conduct-related forfeiture and suspension provisions, (3) specified annual corporate performance conditions, annual formulaic risk performance conditions (the first risk metric), and annual risk performance reviews, review criteria and conditions (the second risk metric), and (4) performance-related adjustment provisions that subject the award payout size of each tranche that remains outstanding and satisfies the applicable conditions for vesting of that tranche to three separate annual performance factors related to that tranche's performance year: (a) one formulaic factor for specified corporate performance that may result in an upward or downward payout size adjustment ranging from 125.00% to 75.00%, (b) one formulaic risk performance factor for the first risk metric that cannot result in an upward payout size adjustment but may be either 100.00% (i.e., no downward payout size adjustment of that tranche for the first risk metric) or 0.00% (i.e., cancellation of that tranche for risk performance with respect to the first risk metric), and (c) another risk performance factor related to risk performance reviews for the second risk metric that cannot result in an upward payout size adjustment but where the risk performance factor may be 100.00% (i.e., no downward payout size adjustment of that tranche for the second risk metric) or may be a risk performance factor of less than 100.00% ranging down to 0.00% (i.e., a downward adjustment of the award payout size of the tranche for that year, up to the potential for full cancellation of a tranche for a risk performance factor for that tranche related to the second risk metric of 0.00%).

The four Performance RSUs and related Dividend Equivalents tranches (each, a "Tranche"), together with the performance year that relates to each such Tranche, are set forth below:

- one-fourth of the Share Units (rounded down to the nearest whole unit) are in the first tranche and will relate to 2014 corporate and risk performance ("2014 Tranche" or "First Tranche");
- one-third of the remaining Share Units (rounded down to the nearest whole unit) are in the second tranche and will relate to 2015 corporate and risk performance ("2015 Tranche" or "Second Tranche");
- one-half of the remaining Share Units (rounded down to the nearest whole unit) are in the third tranche and will relate to 2016 corporate and risk performance ("2016 Tranche" or "Third Tranche"); and
- the remainder of the Share Units are in the fourth tranche and will relate to 2017 corporate and risk performance ("2017 Tranche" or "Fourth Tranche").

Performance RSUs and Dividend Equivalents are not transferable. The Performance RSUs and related Dividend Equivalents are subject to forfeiture until vesting and are subject to upward or downward corporate performance adjustment and to downward risk performance adjustment from the initial number of share units, or share units to which they relate in the case of Dividend Equivalents, all in accordance with the terms of the Award Agreement.

Performance RSUs that are not forfeited pursuant to the service or conduct provisions in accordance with the terms of Section 5 will be performance-adjusted in accordance with the corporate and risk performance adjustment provisions of Sections 6 and 7. If such performance-adjusted Performance RSUs are not cancelled as a result of the risk performance adjustments and satisfy the service requirements and other conditions for vesting and vest in accordance with the terms of Section 8, then they will be settled and paid out, generally in shares of PNC common stock, pursuant to and in accordance with the terms of Section 9.

Dividend Equivalents will be accrued and will be subject to the same forfeiture, performance-adjustment, and vesting conditions as the Performance RSUs to which they relate. Performance-adjusted Dividend Equivalents that vest in accordance with Section 8 will be paid out in cash at the same time that their related vested Performance RSUs are settled and paid out in accordance with the terms of Section 9.

Performance RSUs that are forfeited by Grantee pursuant to and in accordance with the service or conduct provisions of Section 5, or that are subject to a full downward risk performance adjustment (that is, for any Tranche, if either of the risk performance metrics results in an annual performance factor for that metric for that Tranche of 0.00% in accordance with the risk performance adjustment provisions of Sections 6 and 7), will be cancelled, together with the Dividend Equivalents that relate to those Performance RSUs, and therefore shall terminate without payment of any consideration by PNC.

4. Dividend Equivalents.

The Dividend Equivalents portion of a Tranche represents the opportunity to receive a payout in cash of an amount equal to the cash dividends that would have been paid, without interest or reinvestment, between the Award Grant Date and the vesting date for that Tranche on the number of shares of PNC common stock determined as specified below had such shares been issued and outstanding shares on the Award Grant Date and thereafter through the vesting date for that Tranche. The specified number for purposes of the preceding sentence will be the number equal to the corporate and risk performance-adjusted number of share units that vest and are settled and paid out with respect to the related Performance RSUs in that same Tranche, if any.

Dividend Equivalents are subject to the same service requirements, conduct conditions, forfeiture events, corporate and risk performance-based payout size adjustments, and vesting conditions as the Performance RSUs to which they relate, all as set forth in Sections 5, 6, 7 and 8. Dividend Equivalents will not vest, be settled and paid unless and until their related Performance RSUs vest, are settled, and are paid out. Outstanding accrued performance-adjusted Dividend Equivalents that so vest and settle will be paid in cash in accordance with Section 9.

5. Forfeiture Provisions: Termination Upon Failure to Meet Applicable Service Requirements or Conduct Conditions.

5.1 Termination of Award Upon Forfeiture of Share Units. The Award is subject to the forfeiture provisions set forth in this Section 5. The Award will terminate with respect to any

Tranche or Tranches or specified portion thereof, as the case may be, of Performance RSUs and related Dividend Equivalents upon forfeiture and cancellation of such Tranche or Tranches, or specified portion thereof, of Performance RSUs and related Dividend Equivalents pursuant to the terms and conditions of this Section 5, and neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in either the Performance RSUs or the related Dividend Equivalents evidenced by the Award Agreement with respect to that Tranche or those Tranches, as applicable.

5.2 Forfeiture of Award Upon Failure to Meet Service Requirements. If, at the time Grantee ceases to be employed by the Corporation, Grantee has failed to meet the service requirements set forth in this Section 5 with respect to one or more Tranches of Performance RSUs and related Dividend Equivalents, then all outstanding Performance RSUs that have so failed to meet such service requirements, together with the Dividend Equivalents related to such Tranche or Tranches of Performance RSUs, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee’s Termination Date.

5.3 Service Requirements. Grantee will meet the service requirements with respect to the Performance RSUs and related Dividend Equivalents, or applicable Tranche thereof if so specified, if Grantee meets the conditions of any of the subclauses below. If more than one of the following subclauses is applicable with respect to those Performance RSUs and related Dividend Equivalents, Grantee will have met the service requirements for such Performance RSUs and related Dividend Equivalents upon the first to occur of such conditions.

(i) Grantee continues to be an employee of the Corporation through and including the day immediately preceding the 1st, 2nd, 3rd, or 4th anniversary of February 13, 2014 (hereafter, the “Designated Marker Date”), as the case may be, with respect to the First, Second, Third, or Fourth Tranche of the Performance RSUs and related Dividend Equivalents, as applicable.

(ii) Grantee ceases to be an employee of the Corporation by reason of Grantee’s death.

(iii) Grantee continues to be an employee of the Corporation until Grantee’s Termination Date (as defined in Section 15) where Grantee’s employment was not terminated by the Corporation for Cause (as defined in Section 15) and where Grantee’s termination of employment as of such date qualifies as a Retirement (as defined in Section 15) (a “Qualifying Retirement”).

(iv) Grantee continues to be an employee of the Corporation until Grantee’s Termination Date where Grantee’s employment was not terminated by the Corporation for Cause and where Grantee’s employment was terminated as of such date by the Corporation by reason of Grantee’s Disability (as defined in Section 15) (a “Qualifying Disability Termination”).

(v) Grantee continues to be employed by the Corporation through the day immediately prior to the date a Change of Control (as defined in Section 15) occurs.

5.4 Forfeiture Upon Termination for Cause or Pursuant to Detrimental Conduct Provisions

(a) Termination for Cause. In the event that Grantee's employment with the Corporation is terminated by the Corporation for Cause prior to the 4th anniversary of the Designated Marker Date and prior to the occurrence of a Change of Control, if any, then all then outstanding Performance RSUs, together with all accrued Dividend Equivalents related to such then outstanding Performance RSUs, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC as of Grantee's Termination Date.

(b) Detrimental Conduct. At any time prior to the date that such Performance RSUs and related Dividend Equivalents vest in accordance with Section 8 or expire unvested or are cancelled pursuant to other provisions of the Award Agreement, Performance RSUs and related Dividend Equivalents, or specified portion thereof, will be forfeited by Grantee to PNC and cancelled, without payment of any consideration by PNC, on the date and to the extent that PNC determines in its sole discretion to so cancel all or a specified portion of the Performance RSUs and related Dividend Equivalents on the basis of its determination that Grantee has engaged in Detrimental Conduct as set forth in Section 15.14, whether such determination is made during the period of Grantee's employment with the Corporation or after Grantee's Termination Date; provided, however, that (i) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death (other than with respect to a Tranche, if any, that does not vest immediately upon death), and Detrimental Conduct will not apply to conduct by or activities of successors to the Performance RSUs and related Dividend Equivalents by will or the laws of descent and distribution in the event of Grantee's death; (ii) no determination that Grantee has engaged in Detrimental Conduct may be made between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control; and (iii) no determination that Grantee has engaged in Detrimental Conduct may be made after the occurrence of a Change of Control.

5.5 Suspension and Forfeiture Related to Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Performance RSUs and related Dividend Equivalents or any portion thereof are still outstanding and have not yet vested, the vesting of those Performance RSUs and related Dividend Equivalents shall be automatically suspended.

Such suspension of vesting shall continue until the earliest to occur of the following:

(1) resolution of the criminal proceedings in a manner that results in a conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation;

(2) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement;

(3) Grantee's death; or

(4) the occurrence of a Change of Control.

If the suspension is terminated by the occurrence of an event set forth in clause (1) above, those Performance RSUs, together with all related Dividend Equivalents, to the extent that such Performance RSUs and related Dividend Equivalents or any portion thereof are still outstanding, will, upon such occurrence, be automatically forfeited by Grantee to PNC, will not vest or be eligible to vest, and will be cancelled without payment of any consideration by PNC.

If the suspension is terminated by the occurrence of an event set forth in clause (2), (3) or (4) above, then vesting of those Performance RSUs and related Dividend Equivalents shall proceed in accordance with Sections 5, 6, 7 and 8, as applicable. No interest shall be paid with respect to any suspended payments.

6. Performance Conditions and Related Annual Performance Factors.

Performance RSUs and related Dividend Equivalents are subject to corporate and risk performance conditions and adjustments, all as set forth in the Award Agreement unless and until amended prospectively by the Compensation Committee.

All determinations made by the Compensation Committee or otherwise by PNC hereunder shall be made in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

6.1 Corporate Performance Conditions and Related Annual Performance Factor. Each Tranche of the Award will be subject to an Annual Corporate Performance Factor that relates to corporate performance for the performance year applicable to that Tranche as set forth in Section 3 (e.g., for the First Tranche, also referred to as the 2014 Tranche, the applicable corporate performance relates to corporate performance for 2014). The Annual Corporate Performance Factor for a Tranche could range from 75.00% to 125.00% based on the corporate performance metric, as described below.

The corporate performance metric for this Award is total shareholder return for the performance year that relates to the given Tranche. For purposes of this measurement, total shareholder return performance (“TSR Performance”) will mean the total shareholder return (i.e., price change plus reinvestment of dividends) on PNC common stock for the applicable calendar year assuming an investment on the first day of the year is held through the last day of the applicable year and using, as the beginning and ending prices for purposes of that calculation, the closing price on the last trading day of the preceding year and on the last trading day of the applicable year, respectively. TSR Performance will be calculated to two places to the right of the decimal, rounded to the nearest one-hundredth with 0.005 being rounded upward to 0.01.

PNC will present information to the Compensation Committee with respect to PNC’s level of TSR Performance for a given performance year following the end of that year. The process of certification of the level of PNC’s TSR Performance with respect to a given performance year will generally occur in late January or early February after the applicable year-end date.

In the standard circumstances where Grantee continues to be an employee of the Corporation, or where Grantee’s employment with the Corporation ceases by reason of a Qualifying Retirement or a Qualifying Disability Termination, and there has not been a Change of Control and Grantee has not died, the Annual Corporate Performance Factor with respect to an applicable outstanding Tranche will be 100.00% plus or minus (as applicable) the positive or negative TSR Performance of PNC for the year that relates to that Tranche up to a maximum of 25 percentage points either direction, such that the Annual Corporate Performance Factor will be no less than 75.00% and no more than 125.00%.

For example, if PNC's TSR Performance for 2015 is 10.16% and Grantee is still an employee of the Corporation as of the 2nd anniversary of the Designated Marker Date in February 2016 (or Grantee's employment with the Corporation ceased prior to that time by reason of a Qualifying Retirement or a Qualifying Disability Termination) and there has not been a Change of Control and Grantee has not died, then the Annual Corporate Performance Factor for 2015 would be 110.16%. If, in the same example, PNC's TSR Performance for 2015 were negative 10.16%, the Annual Corporate Performance Factor for that year would be 89.84%.

For circumstances where there is a Change of Control or Grantee dies, in either case while Grantee is still an employee of the Corporation or following a Qualifying Retirement or a Qualifying Disability Termination, the Annual Corporate Performance Factor with respect to an applicable Tranche or Tranches outstanding at the time such event occurs will be determined as set forth in Section 6.4 below.

6.2 First Risk Performance Condition and Related Annual Performance Factor. Each Tranche of the Award will also be subject to an Annual Tier 1 Risk-Based Performance Factor that relates to risk performance under the Tier 1 Risk-Based Performance Metric (also sometimes referred to as the first risk performance metric), as specified below, for the performance year applicable to that Tranche (e.g., for the First Tranche, also referred to as the 2014 Tranche, the applicable risk performance relates to risk performance for 2014). The Annual Tier 1 Risk-Based Performance Factor for a Tranche could range from 100.00% to 0.00% based on the first risk performance metric, as described below.

The first risk performance metric for this Award, the Tier 1 Risk-Based Performance Metric, is whether PNC has, as of the applicable performance measurement date for that Tranche, met or exceeded the required Tier 1 risk-based capital ratio established by PNC's primary Federal bank holding company regulator for well-capitalized institutions as then in effect and applicable to PNC.

In the standard circumstances where Grantee continues to be an employee of the Corporation, or where Grantee's employment with the Corporation ceases by reason of a Qualifying Retirement or a Qualifying Disability Termination, and there has not been a Change of Control and Grantee has not died, the applicable performance measurement date for a Tranche for purposes of this first risk performance metric will be the year-end date of the applicable performance year for that Tranche (as specified in the first paragraph of this Section 6.2 above). For example, for the Second Tranche, the specified Tier 1 risk-based capital ratio will be the ratio as of December 31, 2015, except as otherwise provided in Section 6.4 below where applicable under the circumstances.

The process of certification of the level of PNC's performance with respect to the Tier 1 Risk-Based Performance Metric will occur as soon as practicable after the applicable performance measurement date (in the case of determinations made in standard circumstances pursuant to this Section 6.2, after the applicable year-end date). PNC will present information to the Compensation Committee with respect to (1) the minimum specified Tier 1 risk-based capital ratio PNC is required to achieve in order to meet the required Tier 1 risk-based capital ratio established by PNC's primary Federal bank holding company regulator for well-capitalized institutions as then in effect and applicable to PNC and (2) the applicable Tier 1 risk-based capital ratio achieved by PNC with respect to the Tranche, which will be based on PNC's publicly reported financial results for the period ending on the applicable performance measurement date. Generally, this will be the public release of earnings results for PNC's fourth quarter that occurs after the year-end measurement date, so that the Compensation Committee will be able to make its determination in late January or early February following the applicable performance year-end.

In the standard circumstances, the Annual Tier 1 Risk-Based Performance Factor for a Tranche will be 100.00% if, as of the applicable performance measurement date for that Tranche, PNC has met or exceeded the required Tier 1 risk-based capital ratio established by PNC's primary Federal bank holding company regulator for well-capitalized institutions as then in effect and applicable to PNC. If PNC has not met or exceeded such required ratio, the Annual Tier 1 Risk-Based Performance Factor for that Tranche will be 0.00%.

If the Annual Tier 1 Risk-Based Performance Factor with respect to a given performance year is 0.00%, the Tranche that relates to that performance year, including all outstanding Performance RSUs in that Tranche together with the Dividend Equivalents related to such Performance RSUs, has failed to meet this risk performance condition, is no longer eligible for vesting, and will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC, effective as of the certification date of such results.

If the Annual Tier 1 Risk-Based Performance Factor with respect to a given performance year is 100.00%, this will reflect no downward adjustment for performance with respect to this risk metric for that performance year.

For circumstances where there is a Change of Control or Grantee dies, in either case while Grantee is still an employee of the Corporation or following a Qualifying Retirement or a Qualifying Disability Termination, the Annual Tier 1 Risk-Based Performance Factor with respect to an applicable outstanding Tranche will be determined as set forth in Section 6.4 below.

6.3 Second Risk Performance Condition and Related Annual Performance Factor.

(a) Annual Risk Review Performance Factor. Each Tranche of the Award will also be subject to an Annual Risk Review Performance Factor that relates to risk performance under the second risk performance condition, as specified below, for the performance year applicable to that Tranche (e.g., for the First Tranche, also referred to as the 2014 Tranche, the applicable risk performance relates to risk performance for 2014).

The Annual Risk Review Performance Factor for a Tranche could range from 100.00%, reflecting no downward adjustment for performance with respect to this risk metric for that performance year, to an Annual Risk Review Performance Factor reflecting a downward adjustment to a specified percentage amount, to an Annual Risk Review Performance Factor of 0.00%, reflecting full cancellation of the applicable Tranche for risk performance with respect to this risk metric, all as further provided in this Section 6.

In the standard circumstances where Grantee continues to be an employee of the Corporation, or where Grantee's employment with the Corporation ceases by reason of a Qualifying Retirement or a Qualifying Disability Termination, and there has not been a Change of Control and Grantee has not died, the Annual Risk Review Performance Factor with respect to an applicable outstanding Tranche will be determined as follows.

(1) If an Annual Risk Performance Review (as described in Section 6.3(b) below) is not required with respect to the performance year that relates to the applicable Tranche, because a review has not been triggered by the Risk Performance Review Criteria set forth in Section 6.3(c) below as applied to that performance year and the Compensation Committee has not otherwise determined to conduct such review in its discretion, then the Annual Risk Review Performance Factor for that Tranche will be 100.00%, effective as of the date it is determined that an Annual Risk Performance Review will not be conducted with respect to that performance year.

(2) If an Annual Risk Performance Review is conducted, as set forth below, with respect to the performance year that relates to the applicable Tranche, then the Annual Risk Review Performance Factor for that Tranche will be as determined by the Compensation Committee as part of such review, effective as of the Compensation Committee determination date, and will be in the range of 100.00% down to 0.00%.

(3) If the Compensation Committee-determined Annual Risk Review Performance Factor with respect to a given performance year is 0.00%, the Tranche that relates to that performance year, including all outstanding Performance RSUs in that Tranche together with the Dividend Equivalents related to such Performance RSUs, has failed to meet this risk performance condition, is no longer eligible for vesting, and will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC, effective as of the Compensation Committee determination date.

For circumstances where there is a Change of Control or Grantee dies, in either case while Grantee is still an employee of the Corporation or following a Qualifying Retirement or a Qualifying Disability Termination, the Annual Risk Review Performance Factor with respect to an applicable outstanding Tranche will be determined as set forth in Section 6.4 below.

(b) Annual Risk Performance Review. In general, while the Award is outstanding an Annual Risk Performance Review will be conducted with respect to any performance year for which either (1) such review is triggered by the Risk Performance Review Criteria as applied to that performance year as set forth in Section 6.3(c) below or (2) the Compensation Committee determines to conduct such review in its discretion. Any such determination that an Annual Risk Performance Review will be conducted will generally be made shortly after the close of the applicable performance year, but no later than the 45th day following the close of such year.

When an Annual Risk Performance Review is required with respect to a given completed performance year, either by the risk performance review criteria or at the Compensation Committee's discretion, such review will be conducted shortly after the close of such calendar performance year but no later than the end of the first quarter following such close.

As part of such review, the Compensation Committee will consider whether, in its discretion, downward adjustment for risk performance with respect to the applicable performance year would be appropriate as applied to Grantee and, if so, will reflect such adjustment in the Annual Risk Review Performance Factor that will apply to the Tranche of Grantee's Performance RSUs and related Dividend Equivalents that relate to that performance year. An Annual Risk Review Performance Factor as determined by the Compensation Committee will be in the range of 100.00% down to 0.00%. A downward adjustment for risk performance would be reflected in an Annual Risk Review Performance Factor with respect to that year of less than 100.00%. A Factor of 0.00% would mean that the Tranche has failed to meet this risk performance condition, is no longer eligible for vesting, and will expire and terminate.

If the Compensation Committee determines in its discretion that it would not be appropriate to apply a downward adjustment for risk performance for such year to Grantee's Performance RSUs and related Dividend Equivalents, that determination would be reflected in an Annual Risk Review Performance Factor for the Tranche that relates to that performance year of 100.00%.

(c) Risk Performance Review Criteria. Unless and until amended prospectively by the Compensation Committee, the risk performance review criteria for a given performance year is whether PNC's return on economic capital, with specified adjustments ("ROEC"), is at least equal to the applicable Compensation Committee-specified ROEC hurdle for that performance year. If the ROEC for a given performance year equals or exceeds this hurdle, an Annual Risk Performance Review is not triggered unless the Compensation Committee requires a review in its discretion. If the ROEC for a given year is less than this hurdle amount, an Annual Risk Performance Review by the Compensation Committee is required with respect to that performance year.

For purposes of this Award Agreement, ROEC will have the meaning set forth in Section 15.30. The ROEC hurdle for a given risk performance year will be the risk performance hurdle specified for that performance year by the Compensation Committee no later than March 30th of that performance year for purposes of comparison of ROEC to such hurdle for this Award.

6.4 Annual Corporate and Risk Performance Factors in the Event of Death or Change of Control

(a) Death. In the event that Grantee's employment with the Corporation ceases by reason of Grantee's death or Grantee dies following a Qualifying Retirement or a Qualifying Disability Termination, in either case prior to the occurrence of a Change of Control, then with respect to any Tranche or Tranches that were outstanding at the time of Grantee's death: (i) if such death occurs after the close of a performance year but before the Tranche that relates to that year has either been performance-adjusted and paid out or forfeited, as the case may be, then the overall Annual Performance Factor with respect to such Tranche will be determined in the same manner and effective as of the same time as if Grantee had remained an employee of the Corporation, provided that the Tranche remains outstanding at the applicable time; and (ii) with respect to any other Tranche or Tranches that were outstanding at the time of Grantee's death, the overall Annual Risk Performance Factor will be 100.00%, effective as of the date of death.

(b) Change of Control. In the event that Grantee continues to be an employee of the Corporation through the day immediately prior to the date a Change of Control occurs, or where Grantee ceased to be an employee of the Corporation prior to that time by reason of a Qualifying Retirement or a Qualifying Disability Termination, and one or more Tranches remain outstanding at the time a Change of Control occurs, the overall Annual Performance Factor of any Tranche for which an overall Annual Performance Factor had not already been determined as of the day immediately preceding the date the Change of Control occurs will be determined as follows.

(i) An Annual Tier 1 Risk-Based Performance Factor will be determined using the quarter-end date immediately preceding the Change of Control (or, if the change of control occurs on a quarter-end date, using the date of the Change of Control) as the applicable performance measurement date for purposes of this determination for all such Tranches.

(ii) If the Annual Tier 1 Risk-Based Performance Factor so determined is 0.00%, all such Tranches of the Award will have failed to meet this risk performance condition, will no longer be eligible for vesting, and will expire and terminate, effective as of the day immediately preceding the date the Change of Control occurs.

(iii) If the Annual Tier 1 Risk-Based Performance Factor so determined is 100.00%, all such Tranches of the Award for which an overall Annual Performance Factor had not already been determined as of the day immediately preceding the date the Change of Control occurs will have an overall Annual Performance Factor for all such Tranches determined on the basis of an Annual Corporate Performance Factor of 100.00%, an Annual Tier 1 Risk-Based Performance Factor of 100.00%, and an Annual Risk Review Performance Factor that is the same as the Annual Risk Review Performance Factor for the most recent Tranche for which an Annual Risk Review Performance Factor had been determined by the Compensation Committee in accordance with Section 6.3 or, if none, will be 100.00%, all effective as of the day immediately preceding the date the Change of Control occurs.

6.5 Overall Annual Performance Factor. Once the three annual performance factors (the Annual Corporate Performance Factor, the Annual Tier 1Risk-Based Performance Factor and the Annual Risk Review Performance Factor) have been determined for a Tranche in accordance with the applicable provisions of this Section 6, the overall Annual Performance Factor for that Tranche will be calculated as follows.

Once an Annual Corporate Performance Factor has been determined (in accordance with Section 6.1 and Section 6.4, if applicable) with respect to the performance year for the given Tranche, the Annual Tier 1 Risk-Based Performance Factor for that same performance year and Tranche (determined in accordance with Section 6.2 and Section 6.4, if applicable) will be applied as a percentage to that corporate factor.

If the applicable Annual Tier 1 Risk-Based Performance Factor is 0.00%, the overall Annual Performance Factor with respect to that same performance year will be 0.00% and the Tranche that relates to that performance year will be cancelled. If the applicable Annual Tier 1

Risk-Based Performance Factor with respect to that performance year is 100.00%, there will be no downward adjustment to the Annual Corporate Performance Factor for this first risk performance factor, and the second risk performance factor, the Annual Risk Review Performance Factor, for the same performance year will be applied.

Assuming that the overall Annual Performance Factor is not determined to be 0.00% as a result of application of the first risk performance factor, the Annual Risk Review Performance Factor for the performance year (determined in accordance with Section 6.3 and Section 6.4, if applicable), which can range from 0.00% to 100.00%, will then be applied as a percentage of the Annual Corporate Performance Factor for the same performance year to generate the overall Annual Performance Factor for the Tranche.

For example, if for a given Tranche the Annual Corporate Performance Factor is 105.00%, the Annual Tier 1 Risk-Based Performance Factor is 100.00%, and the Annual Risk Review Performance Factor is 95.00%, the overall Annual Performance Factor for the Tranche would be 99.75%. If both risk performance factors are 100.00%, there would be no downward adjustment to the corporate performance factor for risk performance and the overall Annual Performance Factor would be the same percentage as the Annual Corporate Performance Factor for that Tranche.

If either risk performance factor for an applicable performance year is 0.00%, the overall Annual Performance Factor with respect to that same performance year will be 0.00% and the Tranche that relates to that performance year, including all outstanding Performance RSUs in that Tranche together with the Dividend Equivalents related to such Performance RSUs, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC.

7. Performance-Related Adjustments to Performance RSUs and Dividend Equivalents.

7.1 Performance Adjustment of Outstanding Share Units. Once the overall Annual Performance Factor for a Tranche of Performance RSUs and related Dividend Equivalents has been determined in accordance with Section 6, and provided that the Tranche has not been cancelled pursuant to any of the forfeiture provisions of Section 5, the number of share units in that Tranche will be performance adjusted as applicable in accordance with this Section 7.

The performance-adjusted number of share units in a Tranche will be equal to a percentage of the initial share units in the Tranche, rounded to the nearest one-hundredth with 0.005 share units being rounded upward to 0.01 share units, where the percentage to be applied is equal to the overall Annual Performance Factor for the performance year that relates to that Tranche (e.g., for the First Tranche, the Annual Performance Factor for 2014) as determined in accordance with Section 6. Only the performance-adjusted share units in a Tranche will be performance eligible to vest and be the basis of the settlement and payout of the Performance RSUs and related Dividend Equivalents in the Tranche in accordance with Sections 8 and 9 provided that all of the other conditions for vesting are satisfied, including the service condition.

The performance-adjusted Performance RSUs for a Tranche are sometimes referred to as the “Payout Share Units” for purposes of the vesting, where applicable, of that portion of the Tranche in accordance with Section 8 and the settlement and payout in accordance with Section 9 of the portion of the Tranche that has vested. The percentage applied to the share units for a given Tranche in order to arrive at the Payout Share Units is sometimes referred to as the Payout Percentage for that Tranche.

Dividend Equivalents will be subject to the same performance adjustment and Payout Percentage that is applied to the Performance RSUs to which they relate.

7.2 Termination of Portions of Award Due to Performance Adjustments. The portion of the Performance RSUs in a Tranche that do not become Payout Share Units will be cancelled; that is, only the number of share units that become Payout Share Units as a result of the applicable corporate and risk performance adjustments for that Tranche will be performance eligible to vest and be the basis of the settlement and payout of the Performance RSUs and related Dividend Equivalents in the Tranche in accordance with Sections 8 and 9.

Dividend Equivalents that had accrued with respect to any Performance RSUs in a Tranche that do not become Payout Share Units will also be cancelled as Dividend Equivalents are subject to the same performance adjustments that are applied to the Performance RSUs to which they relate.

8. Vesting of Performance-Adjusted Share Units and Related Dividend Equivalents.

Grantee's Performance RSUs as performance-adjusted pursuant to the provisions of Sections 6 and 7 (the Payout Share Units) and related performance-adjusted Dividend Equivalents will vest (that is, become vested Payout Share Units and vested related performance-adjusted Dividend Equivalents) upon the earliest to occur of the events set forth in the subclauses below, provided that such Performance RSUs and related Dividend Equivalents have not been forfeited prior to such vesting event pursuant to any of the provisions of Section 5 or cancelled as a result of the risk performance adjustment provisions of Sections 6 and 7 and remain outstanding at that time:

(i) (a) the 1st anniversary of the Designated Marker Date in the case of the First Tranche share units and related dividend equivalents, the 2nd anniversary of the Designated Marker Date in the case of the Second Tranche share units and related dividend equivalents, the 3rd anniversary of the Designated Marker Date in the case of the Third Tranche share units and related dividend equivalents, and the 4th anniversary of the Designated Marker Date in the case of the Fourth Tranche share units and related dividend equivalents, as the case may be,

or, if later, (b) the date on which the performance adjustment determinations pursuant to Sections 6 and 7 with respect to the applicable Tranche are final (but no later than March 31st of the calendar year in which such anniversary occurs),

or, if later, (c) on the date as of which any suspension imposed with respect to those Performance RSUs and related Dividend Equivalents pursuant to Section 5.5 is lifted without forfeiture of such share units and related dividend equivalents and they vest, as applicable;

(ii) in the event of Grantee's death,

(a) the date of Grantee's death with respect to any Tranche or Tranches as to which the overall Annual Performance Factor for such Tranche is determined at the time of Grantee's death pursuant to Section 6.4(a)(ii) and Section 6.5, and

(b) the date on which the overall Annual Performance Factor with respect to such Tranche is final with respect to the Tranche, if any, for which the overall Annual Performance Factor is determined after Grantee's death pursuant to Section 6.4(a)(i) and Section 6.5 at the same time and in the same manner as if Grantee had remained an employee of the Corporation; and

(iii) the end of the day immediately preceding the day a Change of Control occurs.

Performance RSUs and related Dividend Equivalents (1) that have been forfeited by Grantee pursuant to the service requirements or conduct or other provisions of Section 5 or (2) that are part of the portion of a Tranche of Performance RSUs and related Dividend Equivalents that has been cancelled as a result of the performance-adjustment provisions of Sections 6 and 7 where the Payout Percentage for that Tranche was less than 100.00% or (3) that have been cancelled as a result of the application, pursuant to the provisions of Sections 6 and 7, of a Payout Percentage of 0.00% to the Tranche to which they relate, are not eligible for vesting, will not settle, and will be cancelled without payment of any consideration by PNC.

The period during which Dividend Equivalents will accrue with respect to an applicable Tranche of Performance RSUs will end, and such Dividend Equivalents will cease to accrue, on the vesting date for such Tranche of Performance RSUs in accordance with Section 8 or on the cancellation date for such Performance RSUs in accordance with Section 5, 6 or 7, as applicable.

Accrued performance-adjusted Dividend Equivalents that vest in connection with the vesting of the performance-adjusted Performance RSUs to which they relate (that is, the amount of dividend equivalents for the period from the Award Grant Date through the vesting date on the number of related Performance RSUs that become Payout Share Units and vest) will be settled and paid out in accordance with Section 9.

Accrued Dividend Equivalents that fail to vest will be cancelled on the cancellation date for the Performance RSUs to which they relate in accordance with Section 5, 6 or 7, as applicable.

9. Settlement of Vested Performance-Adjusted Share Units and Related Dividend Equivalents.

9.1 Settlement. Outstanding performance-adjusted Performance RSUs (Payout Share Units) and related accrued performance-adjusted Dividend Equivalents that have vested pursuant to the provisions of Section 8 (vested Payout Share Units) will be paid out at the time and in the form set forth in the applicable subsection of this Section 9. Section 9.2 will apply where vesting occurs pursuant to Section 8(i) or Section 8(ii), and Section 9.3 will apply where vesting occurs pursuant to Section 8(iii).

A final award, if any, will be fully vested as of the applicable vesting date. Any shares of PNC common stock issued pursuant to this Section 9 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 9 to, or at the proper direction of, Grantee or Grantee's legal representative, as determined in good faith by the Compensation Committee, at the applicable time specified in Section 9.2 or Section 9.3, as the case may be.

Delivery of shares and/or other payment pursuant to the Award will not be made unless and until all applicable tax withholding requirements with respect to such payment have been satisfied.

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 Compensation Committee.

9.2 Settlement Where Vesting Occurs Prior to Change of Control.

(a) Payout Timing. Payment will be made to Grantee in settlement of outstanding performance-adjusted Performance RSUs (Payout Share Units) and related Dividend Equivalents that have vested pursuant to Section 8(i) or Section 8(ii) as soon as practicable after the vesting date set forth in the applicable subclause of Section 8 for such units and related dividend equivalents, generally within 30 days but no later than December 31st of the calendar year in which the vesting date occurs, subject to the provisions of the following bullets, if applicable. No interest shall be paid with respect to any such payments hereunder.

- In the event that the vesting date pursuant to Section 8(i) is the date on which the performance adjustment determinations pursuant to Sections 6 and 7 with respect to the applicable Tranche are final or is the date as of which any suspension imposed pursuant to Section 5.5 is lifted, payment will be made no later than the earlier of (a) 30 days after the vesting date and (b) December 31st of the calendar year in which the vesting date occurs.
- Where vesting occurs pursuant to Section 8(ii) upon or following Grantee's death, as the case may be, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later, the 15th day of the 3rd calendar month following the date of Grantee's death.

(b) Form of Payout. Payment in settlement of such Payout Share Units will be made at the applicable time set forth in Section 9.2(a) above either by delivery to Grantee of that number of whole shares of PNC common stock equal to the number of vested Payout Share Units being settled or as otherwise provided in Section 11, as applicable.

No fractional shares will be delivered to Grantee. If the vested Payout Share Units include a fractional interest, such fractional interest will be liquidated and paid to Grantee in cash on the basis of the then current Fair Market Value (as defined in Section 15) of PNC common stock as of the vesting date or in any case as otherwise provided in Section 11 if applicable.

Accrued performance-adjusted Dividend Equivalents that vested pursuant to the provisions of Section 8(i) or 8(ii) will be settled by payment to Grantee in cash at the same time as the time set forth in Section 9.2(a) above for payment of the vested performance-adjusted Performance RSUs to which they relate.

Delivery of shares and/or other payment pursuant to the Award will not be made unless and until all applicable tax withholding requirements with respect to such payment have been satisfied.

(c) Disputes. If there is a dispute regarding payment of a final award amount, PNC will settle the undisputed portion of the award amount, if any, within the time frame set forth above in this Section 9.2, 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 U.S. Internal Revenue Code.

9.3 Settlement Where Vesting Occurs Due to the Occurrence of a Change of Control.

(a) Payout Timing. Payment will be made to Grantee in settlement of outstanding performance-adjusted Performance RSUs (Payout Share Units) and related Dividend Equivalents that have vested pursuant to Section 8(iii) at the time set forth in subsection (1) below unless payment at such time would be a noncompliant payment under Section 409A of the U.S. Internal Revenue Code, and otherwise, at the time set forth in subsection (2) or (3) below, as applicable, in any case as further described below.

(1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the U.S. Internal Revenue Code, payment will be made as soon as practicable after the Change of Control date, 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 U.S. 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 U.S. Internal Revenue Code, then payment will be made as soon as practicable after the date that would have been the scheduled vesting date for such performance-adjusted Performance RSUs and related Dividend Equivalents had they vested pursuant to Section 8(i) rather than pursuant to Section 8(iii), but in no event later than December 31st of the calendar year in which such scheduled vesting date occurs.

(3) Where vesting occurs pursuant to Section 8(iii) due to the occurrence of a Change of Control and payment is scheduled, pursuant to subsection (2) of this Section 9.3(a) above, for as soon as practicable after the date that would have been the scheduled vesting date for such performance-adjusted Performance RSUs and related Dividend Equivalents had they vested pursuant to Section 8(i) rather than pursuant to Section 8(iii) but Grantee dies prior to that scheduled payout date, payment will be made no later than December 31st of the calendar year in which Grantee's death occurred or, if later (but not beyond the end of the calendar year in which vesting would have occurred pursuant to Section 8(i) had they vested pursuant to Section 8(i) rather than pursuant to Section 8(iii)), the 15th day of the 3rd calendar month following the date of Grantee's death.

(b) Form of Payment.

(1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the U.S. Internal Revenue Code and payment with respect to a Tranche or Tranches of vested, performance-adjusted Performance RSUs and related Dividend Equivalents is made at the time specified in Section 9.3(a)(1), then payment with respect to any such Tranche will be in an amount equal to the base amounts for the Performance RSUs and the related Dividend Equivalents as described below in subsection (2)(A) of this Section 9.3(b).

Payment of this amount will be made entirely in cash if so provided in the circumstances pursuant to Section 11.2(c), valued as provided in Section 11.2. Otherwise, payment of the Performance RSUs base amount will be made in the form of whole shares of PNC common stock (valued at Fair Market Value or as otherwise provided in Section 11, as applicable, as of the date of the Change of Control) with cash for any fractional interest (valued on the same basis as the whole shares), and payment of the related Dividend Equivalents base amount will be paid in the form of cash.

(2) If, under the circumstances, payment at the time of the Change of Control would not comply with Section 409A of the U.S. Internal Revenue Code and payment with respect to the Tranche or Tranches of vested performance-adjusted Performance RSUs and related Dividend Equivalents being settled will be made at the time or times specified in Section 9.3(a)(2) or (3), as the case may be, then such payments will be made entirely in cash and the payment amount with respect to any such Tranche will be in an amount equal to (X) plus (Y), where (X) is the Performance RSUs base amount described below in subsection (A) of this Section 9.3(b)(2) plus the phantom investment amount for the Performance RSUs base amount described below in subsection (B) of this Section 9.3(b)(2) and (Y) is the related Dividend Equivalents base amount described below in subsection (A) of this Section 9.3(b)(2) plus the phantom investment amount for the related Dividend Equivalents base amount described below in subsection (B) of this Section 9.3(b)(2).

(A) Base Amounts. The Performance RSUs base amount will be an amount equal to the number of vested Payout Share Units determined in accordance with Sections 6, 7 and 8 for the Tranche being settled multiplied by the Fair Market Value (as defined in Section 15) 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 11 as applicable.

The related Dividend Equivalents base amount will be an amount equivalent to the amount of the cash dividends Grantee would have received, without interest on or reinvestment of such amounts, had Grantee been the record holder of a number of issued and outstanding shares of PNC common stock equal to the number of vested Payout Share Units for that Tranche for the period beginning on the Award Grant Date and through the date of the Change of Control, subject to adjustment if any pursuant to Section 11.

(B) Phantom Investment Amounts. The phantom investment amount for the Performance RSUs base amount with respect to the Tranche being settled will be either (i) or (ii), whichever is larger: (i) interest on the Performance RSUs base amount described in Section 9.3(b)(2)(A) from the date of the Change of Control through the payment date for that Tranche at the short-term, mid-term or long-term Federal rate under U.S. 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 any dividends reinvested in such stock, from the date of the Change of Control through the payment date for that Tranche.

The phantom investment amount for the related Dividend Equivalents base amount with respect to the Tranche being settled will be interest on the related Dividend Equivalents base amount described in Section 9.3(b)(2)(A) from the date of the Change of Control through the payment date for that Tranche at the short-term, mid-term or long-term Federal rate under U.S. Internal Revenue Code Section 1274(b)(2)(B), as applicable depending on the term until payment, compounded semi-annually.

PNC may, at its option, provide other phantom investment alternatives in addition to those referenced in the preceding two paragraphs of this Section 9.3(b)(2)(B) 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 9.3(b)(2)(B)(i) and (ii) with respect to the Performance RSUs base amount at a minimum and for at least the one phantom investment set forth in this Section 9.3(b)(2)(B) for the related Dividend Equivalents base amount at a minimum.

The phantom investment amounts 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 U.S. Internal Revenue Code and thus payment is made at the time specified in Section 9.3(a)(2) or (3) rather than at the time specified in Section 9.3(a)(1).

(c) Disputes. If there is a dispute regarding payment of a 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 9.3(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 U.S. Internal Revenue Code.

10. No Rights as Shareholder Until Issuance of Shares.

Grantee will have no rights as a shareholder of PNC by virtue of this Award unless and until shares of PNC stock are issued and delivered in settlement of vested outstanding performance-adjusted Performance RSUs pursuant to Section 9.

11. Capital Adjustments.

11.1 Except as otherwise provided in Section 11.2, 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, if any, that outstanding vested Performance RSUs and related Dividend Equivalents are settled and paid, the Compensation Committee or its delegate shall make those adjustments, if any, in the number, class or kind of Performance RSUs and related Dividend Equivalents then outstanding under the Award 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 amount authorized for payment to Grantee pursuant to Section 9 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 value of any award amount authorized for payment to Grantee pursuant to Section 9 to be paid in cash at the applicable time specified in Section 9.

All determinations hereunder shall be made by the Compensation Committee or its delegate in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

11.2 Upon the occurrence of a Change of Control, (a) the number, class and kind of Performance RSUs and related Dividend Equivalents then outstanding under the Award 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 9.3(b) of any award that is deemed to be awarded to Grantee in accordance with Section 8(iii) 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 entire value of any payment to be made to Grantee pursuant to Section 9 will be made solely in cash at the applicable time specified by Section 9.

12. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative

(a) Performance RSUs and related Dividend Equivalents may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If Grantee is deceased at the time any outstanding vested Performance RSUs and Dividend Equivalents are settled and paid in accordance with the terms of Section 9, such delivery of shares and/or other 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 PNC.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative, or retained by PNC for taxes pursuant to Section 13, shall extinguish all right to payment hereunder.

13. Withholding Taxes.

Where all applicable withholding tax obligations have not previously been satisfied, PNC will, at the time any such 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 amounts then payable hereunder to Grantee.

Unless the Compensation Committee or other PNC Designated Person determines otherwise, the Corporation will retain whole shares of PNC common stock from any amounts payable to Grantee hereunder in the form of shares, and will withhold cash from any amounts payable to Grantee hereunder that are settled in cash.

If any such withholding is required prior to the time amounts are payable to Grantee hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to Grantee or as otherwise determined by PNC.

For purposes of this Section 13, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value (as defined in Section 15) 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. The Corporation will not retain Shares for this purpose. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection herewith, no additional withholding may be made.

14. <u>Employment</u>.

Neither the awarding of the Performance RSUs and related Dividend Equivalents nor any payment with respect to such Award authorized hereunder nor any term or provision of the Award 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.

15. <u>Certain Definitions</u>.

Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

15.1 "<u>Agreement</u>" or "<u>Award Agreement</u>" means the Corporate Executive Group Performance-Based Stock-Payable Restricted Share Units Award Agreement between PNC and Grantee evidencing the Performance RSUs and related Dividend Equivalents award granted to Grantee pursuant to the Plan.

15.2 "<u>Annual Corporate Performance Factor</u>," "<u>Annual Tier 1 Risk-Based Performance Factor</u>," "<u>Annual Risk Review Performance Factor</u>," and "<u>overall Annual Performance Factor</u>" have the meanings set forth in Section 6.

15.3 "<u>Award</u>" means the Performance RSUs and related Dividend Equivalents award granted to Grantee pursuant to the Plan and evidenced by the Agreement.

15.4 "<u>Award Grant Date</u>" means the Award Grant Date set forth on page 1 of the Agreement.

15.5 "<u>Board</u>" means the Board of Directors of PNC.

15.6 "<u>Cause</u>" and "<u>termination for Cause</u>."

For purposes of the Agreement, "Cause" means:

(a) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(b) a material breach by Grantee of (1) any code of conduct of PNC or 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;

(c) 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;

(d) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(e) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any of its subsidiaries, that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

The cessation of employment of Grantee will be deemed to have been a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (a), (b) or (c) above or that an event described in clause (d) or (e) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

15.7 "CEO" means the chief executive officer of PNC.

15.8 "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 15.8(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 15.8(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.

15.9 "Compensation Committee" or "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.

15.10 "Competitive Activity."

"Competitive Activity" while Grantee is an employee of the Corporation 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 (1) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary or (2) engaged in business activities that Grantee knows PNC or any subsidiary intends to enter within the next twelve (12) months, 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.

"Competitive Activity" on or after Grantee's Termination Date 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 that 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 subsection (a), clause (ii) of the definition of Detrimental Conduct in Section 15.14, 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.

For purposes of Competitive Activity as defined in this Section 15.10, and for purposes of the definition of competitive activity in any other PNC restricted share unit or in any PNC restricted stock, stock option, or other equity-based award or awards held by Grantee, however, the term subsidiary or subsidiaries shall not include companies in which the Corporation holds an interest pursuant to its merchant banking authority.

15.11 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under U.S. generally accepted accounting principles and (2) satisfies the definition of "service recipient" under Section 409A of the U.S. Internal Revenue Code.

15.12 "Corporation" means PNC and its Consolidated Subsidiaries.

15.13 "Designated Marker Date" is February 13, 2014 as set forth in Section 5.3.

15.14 "Detrimental Conduct" means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given or withheld at PNC's sole discretion), in any Competitive Activity as defined in Section 15.10 in the continental United States at any time during the period of Grantee's employment with the Corporation 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 Compensation Committee or other PNC Designated Person, as applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee and, if so, (1) determines in its sole discretion that Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement and (2) determines in its sole discretion to cancel all or a specified portion of the Performance RSUs that have not yet vested in accordance with Section 8 and of the Dividend Equivalents related to such Performance RSUs on the basis of such determination that Grantee has engaged in Detrimental Conduct.

15.15 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the U.S. Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for U.S. Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

15.16 "Dividend Equivalents" means the opportunity to receive dividend equivalents granted to Grantee pursuant to the Plan in connection with the Performance RSUs to which they relate and evidenced by the Agreement.

15.17 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means (a) 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 or, if the Committee has so acted, (b) fair market value as determined using such other reasonable method adopted by the Committee in good faith for such purpose that uses actual transactions in PNC common stock as reported by a national securities exchange or the Nasdaq National Market, provided that such method is consistently applied.

15.18 "GAAP" or "U.S. generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

15.19 "Grantee" means the person to whom the Performance RSUs with related Dividend Equivalents award is granted, and is identified as Grantee on page 1 of the Agreement.

15.20 "Internal Revenue Code" or "U.S. Internal Revenue Code" means the United States Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

15.21 "Payout Percentage" has the meaning set forth in Section 7.

15.22 "Payout Share Units" and "vested Payout Share Units" have the meanings specified in Sections 7 and 8. "Payout Share Units" are the performance-adjusted number of Performance RSUs calculated in accordance with Section 7 that are performance eligible to vest in accordance with Section 8. "Vested Payout Share Units" are performance-adjusted Performance RSUs that have vested in accordance with Section 8.

15.23 "Performance RSUs" means the share-denominated award opportunity of the number of restricted share units specified as the Share Units on page 1 of the Agreement, subject to capital adjustments pursuant to Section 11 if any, granted to Grantee pursuant to the Plan and evidenced by the Agreement.

15.24 "Person" has the meaning specified in the definition of Change of Control in Section 15.8(a).

15.25 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan as amended from time to time.

15.26 "PNC" means The PNC Financial Services Group, Inc.

15.27 "PNC Designated Person" or "Designated Person" will be: (a) the Compensation Committee or its delegate if Grantee is (or was when Grantee ceased to be an employee of the Corporation) either a member of the Corporate Executive Group (or equivalent successor classification) or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Compensation Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as Designated Person for purposes of the Agreement.

15.28 "Qualifying Retirement" and "Qualifying Disability Termination" have the meanings specified in Section 5.3(iii) and Section 5.3(iv), respectively.

15.29 "Retires" or "Retirement." Grantee "Retires" if Grantee's 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 or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more subsidiaries of the Corporation) on or after the first date on which Grantee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

If Grantee "Retires" as defined herein, the termination of Grantee's employment with the Corporation is sometimes referred to as "Retirement" and such Grantee's Termination Date is sometimes also referred to as Grantee's "Retirement Date."

15.30 "ROEC." For purposes of the Risk Performance Review Criteria specified in Section 6.3(c), PNC's "ROEC" (return on economic capital) for a given performance year will be calculated as earnings for the applicable performance year, divided by average economic capital for the same calendar year, calculated to one place to the right of the decimal, rounded to the nearest tenth with 0.05 being rounded upward to 0.1.

Earnings. Earnings will mean PNC's publicly-reported earnings for the applicable calendar year adjusted, on an after-tax basis, for the impact of the items set forth under the heading "Earnings Adjustments" below.

Economic Capital. Economic capital will mean total economic capital for PNC on a consolidated basis as that term is used by PNC for its internal measurement purposes. Average economic capital for the applicable calendar year will mean such average economic capital as calculated by PNC for internal purposes.

Earnings Adjustments. For purposes of calculating PNC's ROEC for a given performance year, publicly-reported earnings results for that year will be adjusted, on an after-tax basis, for the impact of any of the following where such impact occurs during the given year:

- extraordinary items (as such term is used under GAAP);
- items resulting from a change in tax law;
- discontinued operations;
- 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 any preferred stock, and any other charges or benefits related to the redemption of trust preferred or other preferred securities; and
- the net impact on PNC of significant gains or losses related to BlackRock transactions (similar to the adjustment provided for in PNC's Incentive Performance Units awards in an earlier year to members of PNC's Corporate Executive Group that included adjusting 2009 results to exclude the 4th quarter 2009 gain related to BlackRock's acquisition of Barclays Global Investors).

15.31 "SEC" means the United States Securities and Exchange Commission.

15.32 "Section 409A" means Section 409A of the U.S. Internal Revenue Code.

15.33 "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.

15.34 "Share" means a share of PNC common stock.

15.35 "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 U.S. 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.

15.36 "Tranche" means one of the four installments into which the Performance RSUs and related Dividend Equivalents of the Award have been divided as specified in Section 3.

15.37 "TSR Performance" has the meaning set forth in Section 6.1.

16. Grantee Covenants.

16.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 16 and 17 by virtue of receiving this Performance RSUs and Dividend Equivalents Award (regardless of whether such share units and dividend equivalents, or any portion thereof, ultimately vest and settle); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

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 Grantee's 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 Grantee's Termination Date, or (iii) was, as of Grantee's 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 shall be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of one year after Grantee's 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 shall 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 shall 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 shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

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 shall 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 Compliance with U.S. Internal Revenue Code Section 409A. It is the intention of the parties that the Award and the Agreement comply with the provisions of Section 409A of the U.S. Internal Revenue Code to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A of the U.S. Internal Revenue Code, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Award to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed “deferred compensation” within the meaning of Section 409A of the U.S. Internal Revenue Code or to provide such payments or benefits in a manner that complies with the provisions of Section 409A of the U.S. Internal Revenue Code such that they will not be taxable thereunder.

17.9 Applicable Law; Clawback. 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 applicable to Grantee, the Award, and any right to receive and retain any Shares or other value pursuant to the Award, shall be subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under any clawback, adjustment or similar policy of PNC in effect on the Award Grant Date or that may be established thereafter and to any clawback or recoupment that may be required by applicable law.

17.10 Subject to the Plan and Interpretations. In all respects the Award and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Award and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Compensation Committee, or its delegate or under the authority of the Compensation Committee, whether made or issued before or after the Award Grant Date.

17.11 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.

17.12 Modification. Modifications or adjustments to the terms of this Agreement may be made by PNC as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement shall be effective unless embodied in a separate, subsequent writing signed by Grantee and by an authorized representative of PNC.

18. Acceptance of Award; PNC Right to Cancel; Effectiveness of Agreement.

If Grantee does not accept the Award by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within 30 days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Award at any time prior to Grantee's delivery to PNC of an unaltered and unchanged copy of the Agreement so executed by Grantee. Otherwise, upon such execution and delivery of the Agreement by both PNC and Grantee, the Agreement is effective as of the Award Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges (1)

	Year Ended December 31				
Dollars in millions	2013	2012	2011	2010	2009
Earnings					
Pretax income from continuing operations before adjustment for noncontrolling interests in consolidated subsidiaries or income or loss from equity investees	$4,705	$3,189	$3,785	$3,680	$3,135
Add:					
Distributed income of equity investees	242	216	198	167	171
Fixed charges excluding interest on deposits	664	853	951	1,092	1,396
Less:					
Noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges	112	137	154	148	126
Interest capitalized				1	3
Earnings excluding interest on deposits	5,499	4,121	4,780	4,790	4,573
Interest on deposits	344	386	668	963	1,741
Total earnings	$5,843	$4,507	$5,448	$5,753	$6,314
Fixed charges					
Interest on borrowed funds	$ 516	$ 696	$ 791	$ 918	$1,225
Interest component of rentals	148	145	125	134	131
Amortization of notes and debentures		12	35	39	37
Interest capitalized				1	3
Fixed charges excluding interest on deposits	664	853	951	1,092	1,396
Interest on deposits	344	386	668	963	1,741
Total fixed charges	$1,008	$1,239	$1,619	$2,055	$3,137
Ratio of earnings to fixed charges					
Excluding interest on deposits	8.28 x	4.83 x	5.03 x	4.39 x	3.28 x
Including interest on deposits	5.80	3.64	3.37	2.80	2.01

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

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends (1)

	Year Ended December 31									
Dollars in millions	2013		2012		2011		2010		2009	
Earnings										
Pretax income from continuing operations before adjustment for noncontrolling interests in consolidated subsidiaries or income or loss from equity investees	$4,705		$3,189		$3,785		$3,680		$3,135	
Add:										
Distributed income of equity investees	242		216		198		167		171	
Fixed charges and preferred stock dividends excluding interest on deposits	1,028		1,125		1,037		1,316		1,993	
Less:										
Noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges	112		137		154		148		126	
Interest capitalized							1		3	
Preferred stock dividend requirements	364		272		86		224		597	
Earnings excluding interest on deposits	5,499		4,121		4,780		4,790		4,573	
Interest on deposits	344		386		668		963		1,741	
Total earnings	$5,843		$4,507		$5,448		$5,753		$6,314	
Fixed charges and preferred stock dividends										
Interest on borrowed funds	$ 516		$ 696		$ 791		$ 918		$1,225	
Interest component of rentals	148		145		125		134		131	
Amortization of notes and debentures			12		35		39		37	
Interest capitalized							1		3	
Preferred stock dividend requirements	364		272		86		224		597	
Fixed charges and preferred stock dividends excluding interest on deposits	1,028		1,125		1,037		1,316		1,993	
Interest on deposits	344		386		668		963		1,741	
Total fixed charges and preferred stock dividends	$1,372		$1,511		$1,705		$2,279		$3,734	
Ratio of earnings to fixed charges and preferred stock dividends										
Excluding interest on deposits	5.35	x	3.66	x	4.61	x	3.64	x	2.29	x
Including interest on deposits	4.26		2.98		3.20		2.52		1.69	

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

EXHIBIT 21

THE PNC FINANCIAL SERVICES GROUP, INC.
SCHEDULE OF CERTAIN SUBSIDIARIES
(As of December 31, 2013)

Name	State or Other Jurisdiction of Incorporation or Organization
PNC Bancorp, Inc. (1)	Delaware
PNC Bank, National Association (1)	United States
PNC REIT Corp.	Delaware
PNC Bank Capital Securities, LLC	Delaware
PNC Capital Leasing, LLC	Delaware
PNC Preferred Funding LLC	Delaware
PNC Equipment Finance, LLC	Delaware
PNC Merchant Services Company	Delaware
PNC NCNVINV, Inc.	Delaware
PNC Holding, LLC (1)	Delaware
PNC Funding Corp	Pennsylvania
PNC Investment Company LLC (1)	Delaware
PNC Venture, LLC	Delaware
PNC Capital Markets, LLC	Pennsylvania

(1) The names of the subsidiaries of the indicated entities are omitted because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on

- Form S-3 (No. 333-185555, No. 333-185555-01, No. 333-136807, No. 333-156345, and No. 333-130744)
- Form S-4 (No. 333-155248 and No. 333-149076)
- Form S-8 (No. 33-28828, No. 33-54960, No. 333-53806, No. 333-110758, No. 333-25867, No. 333-156540, No. 333-18069, No. 333-65040, No. 333-136808, No. 333-172931, No. 333-156886, No. 333-177896, No. 333-74666, No. 333-172930, No. 333-134169, No. 333-139345, No. 333-143182, No. 333-177898, No. 333-156527, and No. 333-149076)

of The PNC Financial Services Group, Inc. of our report dated February 28, 2014 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 28, 2014

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our report dated February 28, 2014, relating to the consolidated financial statements of BlackRock, Inc. appearing in Exhibit 99.1 to this Annual Report on Form 10-K of The PNC Financial Services Group, Inc. (the "Corporation") for the year ended December 31, 2013, in the following Registration Statements of the Corporation:

- Form S-3 relating to the shelf registration of debt securities, purchase contracts, units, and warrants to be issued by PNC Funding Corp and debt securities, common stock, preferred stock, purchase contracts, units, warrants, guarantees, and depositary shares to be issued by the Corporation (Nos. 333-185555 and 333-185555-01)
- Forms S-8 relating to the Corporation's 1997 Long-Term Incentive Award Plan (formerly the Corporation's 1987 Senior Executive Long-Term Incentive Award Plan, as amended, the 1992 Long-Term Incentive Award Plan) (Nos. 33-28828, 33-54960, 333-53806, and 333-110758)
- Forms S-3 relating to the Corporation's Dividend Reinvestment and Stock Purchase Plan (Nos. 333-136807 and 333-156345)
- Forms S-8 relating to the Corporation's Employee Stock Purchase Plan (Nos. 333-25867 and 333-156540)
- Forms S-8 relating to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates' Deferred Compensation Plan (Nos. 333-18069, 333-65040, 333-136808, and 333-172931)
- Form S-8 relating to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates' Deferred Compensation Plan (No. 333-156886)
- Form S-8 relating to the Corporation's Deferred Compensation and Incentive Plan (No. 333-177896)
- Form S-8 relating to the Corporation's 1996 Executive Incentive Award Plan (Nos. 333-74666 and 333-172930)
- Form S-3 relating to the shelf registration of securities of the Corporation that may be offered for sale from time to time by shareholders of the Corporation who acquired those shares in connection with the Corporation's acquisition of Harris Williams & Co. (No. 333-130744)
- Forms S-8 relating to the Corporation's 2006 Incentive Award Plan (Nos. 333-134169, 333-139345, 333-143182 and 333-177898)
- Form S-4 relating to the Corporation's acquisition of National City Corporation (No. 333-155248)
- Form S-8 relating to various National City plans (No. 333-156527)
- Form S-4 relating to the Corporation's acquisition of Sterling Financial Corporation (No. 333-149076)
- Form S-8 relating to the Sterling Financial Corporation 1996 Stock Incentive Plan (No. 333-149076)

/s/ Deloitte & Touche LLP

New York, New York
February 28, 2014

EXHIBIT 24

POWER OF ATTORNEY

The PNC Financial Services Group, Inc.

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned Directors and/or Officers of The PNC Financial Services Group, Inc. (the "Corporation"), a Pennsylvania corporation, hereby names, constitutes and appoints Robert Q. Reilly, Gregory H. Kozich, Edward S. Rosenthal, Christi Davis, and Karen M. Barrett, and each of them, as such person's true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of the Corporation for the fiscal year ended December 31, 2013 (the "2013 Form 10-K"); including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Corporation and/or as an Officer of the Corporation to the 2013 Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as he or she may deem appropriate, together with all exhibits thereto, and to any and all amendments or supplements thereto and to any other documents filed with the Commission, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorney-in-fact and agent, acting alone may lawfully do or cause to be done by virtue hereof.

This Power of Attorney will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The execution of this Power of Attorney is not intended to, and does not, revoke any prior powers of attorney other than the revocation, in accordance with applicable laws, of any power of attorney previously granted specifically in connection with the filing of the 2013 Form 10-K (and any and all related documents, including any amendments or supplements to the 2013 Form 10-K).

IN WITNESS WHEREOF, the following persons have duly signed this Power of Attorney in the capacities indicated as of this 12th day of February, 2014.

Name/Signature	Capacity
/s/ William S. Demchak William S. Demchak	President and Chief Executive Officer (Principal Executive Officer) and Director
/s/ Robert Q. Reilly Robert Q. Reilly	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Gregory H. Kozich Gregory H. Kozich	Senior Vice President and Controller (Principal Accounting Officer)

/s/ Richard O. Berndt Richard O. Berndt	Director
/s/ Charles E. Bunch Charles E. Bunch	Director
/s/ Paul W. Chellgren Paul W. Chellgren	Director
/s/ Andrew T. Feldstein Andrew T. Feldstein	Director
/s/ Kay Coles James Kay Coles James	Director
/s/ Richard B. Kelson Richard B. Kelson	Director
/s/ Bruce C. Lindsay Bruce C. Lindsay	Director
/s/ Anthony A. Massaro Anthony A. Massaro	Director
/s/ Jane G. Pepper Jane G. Pepper	Director
/s/ James E. Rohr James E. Rohr	Director

/s/ Donald J. Shepard Donald J. Shepard	Director
/s/ Lorene K. Steffes Lorene K. Steffes	Director
/s/ Dennis F. Strigl Dennis F. Strigl	Director
/s/ Thomas J. Usher Thomas J. Usher	Director
/s/ George H. Walls, Jr. George H. Walls, Jr.	Director
/s/ Helge H. Wehmeier Helge H. Wehmeier	Director

EXHIBIT 31.1

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William S. Demchak, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2013 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: February 28, 2014

/s/ William S. Demchak

William S. Demchak
Chief Executive Officer and President

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 as defined in Rule 11 of Regulation S-T.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert Q. Reilly, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2013 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: February 28, 2014

/s/ Robert Q. Reilly

Robert Q. Reilly
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 as defined in Rule 11 of Regulation S-T.

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2013 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, William S. Demchak, Chief Executive Officer and President 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/ William S. Demchak
William S. Demchak
Chief Executive Officer and President

February 28, 2014

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 as defined in Rule 11 of Regulation S-T.

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the year ended December 31, 2013 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, Robert Q. Reilly, Executive Vice President and Chief Financial Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ Robert Q. Reilly
Robert Q. Reilly
Executive Vice President and Chief Financial Officer

February 28, 2014

EXHIBIT 99.1

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BlackRock, Inc.:

We have audited the accompanying consolidated statements of financial condition of BlackRock, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of BlackRock, Inc. and subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

New York, New York
February 28, 2014

BlackRock, Inc.
Consolidated Statements of Financial Condition

(in millions, except per share data)	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	**$ 4,390**	$ 4,606
Accounts receivable	**2,247**	2,250
Investments	**2,151**	1,750
Assets of consolidated variable interest entities:		
Cash and cash equivalents	**161**	297
Bank loans, other investments and other assets	**2,325**	2,264
Separate account assets	**155,113**	134,768
Separate account collateral held under securities lending agreements	**21,788**	23,021
Property and equipment (net of accumulated depreciation of $611 and $572 at December 31, 2013 and 2012, respectively)	**525**	557
Intangible assets (net of accumulated amortization of $1,057 and $899 at December 31, 2013 and 2012, respectively)	**17,501**	17,402
Goodwill	**12,980**	12,910
Other assets	**692**	626
Total assets	**$ 219,873**	$ 200,451
Liabilities		
Accrued compensation and benefits	**$ 1,747**	$ 1,547
Accounts payable and accrued liabilities	**1,084**	1,055
Short-term borrowings	—	100
Liabilities of consolidated variable interest entities:		
Borrowings	**2,369**	2,402
Other liabilities	**74**	103
Long-term borrowings	**4,939**	5,687
Separate account liabilities	**155,113**	134,768
Separate account collateral liabilities under securities lending agreements	**21,788**	23,021
Deferred income tax liabilities	**5,085**	5,293
Other liabilities	**1,004**	858
Total liabilities	**193,203**	174,834
Commitments and contingencies (Note 13)		
Temporary equity		
Redeemable noncontrolling interests	**54**	32
Permanent Equity		
BlackRock, Inc. stockholders' equity		
Common stock, $ 0.01 par value;	**2**	2
Shares authorized: 500,000,000 at December 31, 2013 and 2012; Shares issued: 171,252,185 at December 31, 2013 and 2012; Shares outstanding: 166,589,688 and 168,875,304 at December 31, 2013 and 2012, respectively;		
Series B nonvoting participating preferred stock, $0.01 par value;	—	—
Shares authorized: 150,000,000 at December 31, 2013 and 2012; Shares issued and outstanding: 823,188 at December 31, 2013 and 2012;		
Series C nonvoting participating preferred stock, $0.01 par value;	—	—
Shares authorized: 6,000,000 at December 31, 2013 and 2012; Shares issued and outstanding: 1,311,887 and 1,517,237 at December 31, 2013 and 2012, respectively		
Additional paid-in capital	**19,473**	19,419
Retained earnings	**8,208**	6,444
Appropriated retained earnings	**22**	29
Accumulated other comprehensive loss	**(35)**	(59)
Treasury stock, common, at cost (4,662,497 and 2,376,881 shares held at December 31, 2013 and 2012, respectively)	**(1,210)**	(432)
Total BlackRock, Inc. stockholders' equity	**26,460**	25,403
Nonredeemable noncontrolling interests	**135**	155
Nonredeemable noncontrolling interests of consolidated variable interest entities	**21**	27
Total permanent equity	**26,616**	25,585
Total liabilities, temporary equity and permanent equity	**$ 219,873**	$ 200,451

See accompanying notes to consolidated financial statements.

BlackRock, Inc.

Consolidated Statements of Income

(in millions, except per share data)	Year ended December 31, 2013	2012	2011
Revenue			
Investment advisory, administration fees and securities lending revenue			
Related parties	**$ 5,991**	$ 5,292	$ 5,303
Other third parties	**2,748**	2,780	2,593
Total investment advisory, administration fees and securities lending revenue	**8,739**	8,072	7,896
Investment advisory performance fees	**561**	463	371
BlackRock Solutions and advisory	**577**	518	510
Distribution fees	**73**	71	100
Other revenue	**230**	213	204
Total revenue	**10,180**	9,337	9,081
Expenses			
Employee compensation and benefits	**3,560**	3,287	3,199
Distribution and servicing costs	**353**	364	386
Amortization of deferred sales commissions	**52**	55	81
Direct fund expenses	**657**	591	563
General and administration	**1,540**	1,359	1,415
Restructuring charges	**—**	—	32
Amortization of intangible assets	**161**	157	156
Total expenses	**6,323**	5,813	5,832
Operating income	**3,857**	3,524	3,249
Nonoperating income (expense)			
Net gain (loss) on investments	**305**	163	46
Net gain (loss) on consolidated variable interest entities	**—**	(38)	(18)
Interest and dividend income	**22**	36	34
Interest expense	**(211)**	(215)	(176)
Total nonoperating income (expense)	**116**	(54)	(114)
Income before income taxes	**3,973**	3,470	3,135
Income tax expense	**1,022**	1,030	796
Net income	**2,951**	2,440	2,339
Less:			
Net income (loss) attributable to redeemable noncontrolling interests	**(1)**	9	—
Net income (loss) attributable to nonredeemable noncontrolling interests	**20**	(27)	2
Net income attributable to BlackRock, Inc.	**$ 2,932**	$ 2,458	$ 2,337
Earnings per share attributable to BlackRock, Inc. common stockholders:			
Basic	**$ 17.23**	$ 14.03	$ 12.56
Diluted	**$ 16.87**	$ 13.79	$ 12.37
Cash dividends declared and paid per share	**$ 6.72**	$ 6.00	$ 5.50
Weighted-average common shares outstanding:			
Basic	**170,185,870**	174,961,018	184,265,367
Diluted	**173,828,902**	178,017,679	187,116,410

See accompanying notes to consolidated financial statements.

BlackRock, Inc.

Consolidated Statements of Comprehensive Income

(in millions)	Year ended December 31, 2013	2012	2011
Net income	**$ 2,951**	**$ 2,440**	**$ 2,339**
Other comprehensive income:			
Change in net unrealized gains (losses) from available-for-sale investments, net of tax:			
Unrealized holding gains (losses), net of tax (1)	**4**	26	(3)
Less: reclassification adjustment included in net income (1)	**13**	6	1
Net change from available-for-sale investments, net of tax	**(9)**	20	(4)
Benefit plans, net (1)	**10**	(5)	—
Foreign currency translation adjustments	**23**	53	(27)
Other comprehensive income (loss)	**24**	68	(31)
Comprehensive income	**2,975**	2,508	2,308
Less: Comprehensive income (loss) attributable to noncontrolling interests	**19**	(18)	2
Comprehensive income attributable to BlackRock, Inc.	**$ 2,956**	**$ 2,526**	**$ 2,306**

(1) The tax benefit (expense) was not material in 2013, 2012 and 2011.

See accompanying notes to consolidated financial statements.

BlackRock, Inc.

Consolidated Statements of Changes in Equity

(in millions)	Additional Paid-in Capital(1)	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 2010	$ 22,504	$ 3,723	$ 75	$ (96)	$ (1)	$ (111)	$ 26,094	$ 189	$ 45	$ 26,328	$ 6
Net income	—	2,337	—	—	—	—	2,337	20	(18)	2,339	—
Consolidation of a collateralized loan obligation	—	—	19	—	—	—	19	—	—	19	—
Allocation of gains (losses) of consolidated collateralized loan obligations	—	—	(22)	—	—	—	(22)	—	22	—	—
Dividends paid, net of dividend expense for unvested RSUs	—	(1,014)	—	—	—	—	(1,014)	—	—	(1,014)	—
Stock-based compensation	494	—	—	—	—	3	497	—	—	497	—
PNC preferred stock capital contribution	200	—	—	—	—	—	200	—	—	200	—
Retirement of preferred stock	(200)	—	—	—	—	—	(200)	—	—	(200)	—
Merrill Lynch cash capital contribution	8	—	—	—	—	—	8	—	—	8	—
Issuance of common shares related to employee stock transactions	(208)	—	—	—	—	228	20	—	—	20	—
Employee tax benefit withholdings related to employee stock transactions	—	—	—	—	—	(239)	(239)	—	—	(239)	—
Shares repurchased	(2,545)	—	—	—	—	(100)	(2,645)	—	—	(2,645)	—
Convertible debt conversions	4	—	—	—	—	1	5	—	—	5	—
Net tax benefit (shortfall) from stock-based compensation	12	—	—	—	—	—	12	—	—	12	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	—	—	(25)	(11)	(36)	90
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	—	—	—	(4)
Foreign currency translation adjustments	7	—	—	—	—	—	7	—	—	7	—
Other comprehensive income (loss)	—	—	—	(31)	—	—	(31)	—	—	(31)	—
December 31, 2011	$ 20,276	$ 5,046	$ 72	$ (127)	$ (1)	$ (218)	$ 25,048	$ 184	$ 38	$ 25,270	$ 92

(1) Amount includes $1 million of common stock at par value at both December 31, 2011 and 2010 and $1 million of preferred stock at par value at December 31, 2010.

See accompanying notes to consolidated financial statements.

BlackRock, Inc.
Consolidated Statements of Changes in Equity

(in millions)	Additional Paid-in Capital(1)	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares Held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity(2)
December 31, 2011	$ 20,276	$ 5,046	$ 72	$ (127)	$ (1)	$ (218)	$ 25,048	$ 184	$ 38	$ 25,270	$ 92
Net income	—	2,458	—	—	—	—	2,458	11	(38)	2,431	9
Allocation of losses of consolidated collateralized loan obligations	—	—	(43)	—	—	—	(43)	—	43	—	—
Release of common stock from escrow	(1)	—	—	—	1	—	—	—	—	—	—
Dividends paid	—	(1,060)	—	—	—	—	(1,060)	—	—	(1,060)	—
Stock-based compensation	451	—	—	—	—	—	451	—	—	451	—
Merrill Lynch cash capital contribution	7	—	—	—	—	—	7	—	—	7	—
Issuance of common shares related to employee stock transactions	(376)	—	—	—	—	432	56	—	—	56	—
Employee tax benefit withholdings related to employee stock transactions	—	—	—	—	—	(146)	(146)	—	—	(146)	—
Shares repurchased	(1,000)	—	—	—	—	(500)	(1,500)	—	—	(1,500)	—
Net tax benefit (shortfall) from stock-based compensation	64	—	—	—	—	—	64	—	—	64	—
Subscriptions (redemptions/ distributions) — noncontrolling interest holders	—	—	—	—	—	—	—	(33)	(10)	(43)	343
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	—	(7)	(6)	(13)	(412)
Other comprehensive income (loss)	—	—	—	68	—	—	68	—	—	68	—
December 31, 2012	$ 19,421	$ 6,444	$ 29	$ (59)	$ —	$ (432)	$ 25,403	$ 155	$ 27	$ 25,585	$ 32

(1) Amount includes $2 million and $1 million of common stock at par value at December 31, 2012 and 2011, respectively.

(2) Amounts include $89 million of redemptions and $89 million of net consolidations related to consolidated variable interest entities ("VIEs").

See accompanying notes to consolidated financial statements.

BlackRock, Inc.
Consolidated Statements of Changes in Equity

(in millions)	Additional Paid-in Capital(1)	Retained Earnings	Appropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Common	Total BlackRock Stockholders' Equity	Nonredeemable Noncontrolling Interests	Nonredeemable Noncontrolling Interests of Consolidated VIEs	Total Permanent Equity	Redeemable Noncontrolling Interests / Temporary Equity
December 31, 2012	$ 19,421	$ 6,444	$ 29	$ (59)	$ (432)	$ 25,403	$ 155	$ 27	$ 25,585	$ 32
Net income	—	2,932	—	—	—	2,932	20	—	2,952	(1)
Consolidation of a collateralized loan obligation	—	—	(4)	—	—	(4)	—	—	(4)	—
Allocation of gains (losses) of consolidated collateralized loan obligations	—	—	(3)	—	—	(3)	—	3	—	—
Dividends paid	—	(1,168)	—	—	—	(1,168)	—	—	(1,168)	—
Stock-based compensation	447	—	—	—	1	448	—	—	448	—
Issuance of common shares related to employee stock transactions	(429)	—	—	—	464	35	—	—	35	—
Employee tax benefit withholdings related to employee stock transactions	—	—	—	—	(243)	(243)	—	—	(243)	—
Shares repurchased	—	—	—	—	(1,000)	(1,000)	—	—	(1,000)	—
Net tax benefit (shortfall) from stock-based compensation	36	—	—	—	—	36	—	—	36	—
Subscriptions (redemptions/distributions) — noncontrolling interest holders	—	—	—	—	—	—	(59)	125	66	137
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	19	(134)	(115)	(114)
Other comprehensive income (loss)	—	—	—	24	—	24	—	—	24	—
December 31, 2013	**$ 19,475**	**$ 8,208**	**$ 22**	**$ (35)**	**$ (1,210)**	**$ 26,460**	**$ 135**	**$ 21**	**$ 26,616**	**$ 54**

(1) Amounts include $2 million of common stock at both December 31, 2013 and 2012.

See accompanying notes to consolidated financial statements.

BlackRock, Inc.
Consolidated Statements of Cash Flows

(in millions)	Year ended December 31,		
	2013	**2012**	**2011**
Cash flows from operating activities			
Net income	**$ 2,951**	$ 2,440	$ 2,339
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and amortization	**291**	295	299
Amortization of deferred sales commissions	**52**	55	81
Stock-based compensation	**448**	451	497
Deferred income tax expense (benefit)	**(193)**	(61)	(137)
Gain related to PennyMac initial public offering	**(39)**	—	—
Gain related to the charitable contribution	**(80)**	—	—
Charitable contribution	**124**	—	—
Net (gains) losses on nontrading investments	**(73)**	(43)	(40)
Purchases of investments within consolidated sponsored investment funds	**(195)**	(108)	(41)
Proceeds from sales and maturities of investments within consolidated sponsored investment funds	**145**	96	50
Assets and liabilities of consolidated VIEs:			
Change in cash and cash equivalents	**143**	(24)	54
Net (gains) losses within consolidated VIEs	**—**	38	18
Net (purchases) proceeds within consolidated VIEs	**142**	(203)	82
(Earnings) losses from equity method investees	**(158)**	(175)	(23)
Distributions of earnings from equity method investees	**80**	42	30
Other adjustments	**10**	(4)	—
Changes in operating assets and liabilities:			
Accounts receivable	**14**	(292)	124
Investments, trading	**(218)**	(664)	(116)
Other assets	**(92)**	(10)	(181)
Accrued compensation and benefits	**203**	138	(140)
Accounts payable and accrued liabilities	**7**	114	(152)
Other liabilities	**80**	155	82
Cash flows from operating activities	**3,642**	2,240	2,826
Cash flows from investing activities			
Purchases of investments	**(412)**	(402)	(204)
Proceeds from sales and maturities of investments	**286**	695	213
Distributions of capital from equity method investees	**83**	73	34
Net consolidations (deconsolidations) of sponsored investment funds	**(48)**	(215)	—
Acquisitions, net of cash acquired	**(298)**	(267)	—
Purchases of property and equipment	**(94)**	(150)	(247)
Cash flows from investing activities	**(483)**	(266)	(204)
Cash flows from financing activities			
Repayments of short-term borrowings	**(100)**	—	(600)
Proceeds from short-term borrowings	**—**	—	600
Repayments of convertible debt	**—**	—	(67)
Repayments of long-term borrowings	**(750)**	(500)	—
Proceeds from long-term borrowings	**—**	1,495	1,496
Cash dividends paid	**(1,168)**	(1,060)	(1,014)
Proceeds from stock options exercised	**28**	47	16
Proceeds from issuance of common stock	**7**	7	5
Repurchases of common stock	**(1,243)**	(1,645)	(2,885)
Merrill Lynch cash capital contribution	**—**	7	8
Net proceeds from (repayments of) borrowings by consolidated VIEs	**(410)**	331	(125)
Net (redemptions/distributions paid)/subscriptions received from noncontrolling interest holders	**203**	300	54
Excess tax benefit from stock-based compensation	**41**	74	27
Cash flows from financing activities	**(3,392)**	(944)	(2,485)
Effect of exchange rate changes on cash and cash equivalents	**17**	70	2
Net increase (decrease) in cash and cash equivalents	**(216)**	1,100	139
Cash and cash equivalents, beginning of year	**4,606**	3,506	3,367
Cash and cash equivalents, end of year	**$ 4,390**	$ 4,606	$ 3,506
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	**$ 202**	$ 201	$ 167
Interest on borrowings of consolidated VIEs	**$ 102**	$ 75	$ 60
Income taxes (net of refunds)	**$ 1,064**	$ 976	$ 962
Supplemental schedule of noncash investing and financing transactions:			
Issuance of common stock	**$ 429**	$ 378	$ 213
PNC preferred stock capital contribution	**$ —**	$ —	$ 200
Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds	**$ (229)**	$ (425)	$ (4)
Increase (decrease) in borrowings due to consolidation of VIEs	**$ 363**	$ 406	$ 412

See accompanying notes to consolidated financial statements.

1. Introduction and Basis of Presentation

Business. BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") provides diversified investment management services to institutional clients, intermediary and individual investors through various investment vehicles. Investment management services primarily consist of the management of equity, fixed income, multi-asset, alternative investment and cash management products. BlackRock offers its investment products in a variety of vehicles, including open-end and closed-end mutual funds, *iShares®* exchange-traded funds ("ETFs"), collective investment trusts and separate accounts. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

At December 31, 2013, The PNC Financial Services Group, Inc. ("PNC") held 20.9% of the Company's voting common stock and 21.9% of the Company's capital stock, which includes outstanding common and nonvoting preferred stock.

See Note 19, *Capital Stock*, for more information on the equity ownership of BlackRock.

Basis of Presentation. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its controlled subsidiaries. Noncontrolling interests on the consolidated statements of financial condition include the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Significant accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Certain items previously reported have been reclassified to conform to the current year presentation.

2. Significant Accounting Policies

Cash and Cash Equivalents. Cash and cash equivalents primarily consists of cash, money market funds and short-term, highly liquid investments with original maturities of three months or less in which the Company is exposed to market and credit risk. Cash and cash equivalent balances that are legally restricted from use by the Company are recorded in other assets on the consolidated statements of financial condition. Cash balances maintained by consolidated sponsored investment funds are not considered legally restricted and are included in cash and cash equivalents on the consolidated statements of financial condition. Cash balances maintained by consolidated VIEs are included in assets of consolidated variable interest entities on the consolidated statements of financial condition.

Investments. *Investments in Debt and Marketable Equity Securities.* BlackRock holds debt and marketable equity investments, which pursuant to Accounting Standards Codification ("ASC") 320-10, *Investments – Debt and Equity Securities,* are classified as trading, available-for-sale, or held-to-maturity based on the Company's intent to sell the security or, for a debt security, the Company's intent and ability to hold the debt security to maturity.

Trading securities are those investments that are purchased principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in nonoperating income (expense) on the consolidated statements of income in the period of the change.

Held-to-maturity debt securities are purchased with the positive intent and ability to be held to maturity and are recorded at amortized cost on the consolidated statements of financial condition.

Available-for-sale securities are those securities that are not classified as trading or held-to-maturity. Available-for-sale securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in the accumulated other comprehensive income (loss) component of stockholders' equity in the period of the change. Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from accumulated other comprehensive income (loss) to nonoperating income (expense) on the consolidated statements of income.

Equity Method. For equity investments where BlackRock does not control the investee, and where it is not the primary beneficiary ("PB") of a VIE, but can exert significant influence over the financial and operating policies of the investee, the Company follows the equity method of accounting in accordance with ASC 323, *Investments-Equity Method and Joint Ventures*. Under the equity method of accounting, BlackRock's share of the investee's underlying net income or loss is recorded as net gain (loss) on investments within nonoperating income (expense) and as other revenue for certain strategic investments since such companies are considered to be an extension of BlackRock's core business. BlackRock's share of net income of the investee is recorded based upon the most current information available at the time, which may precede the date of the consolidated statement of financial condition. Distributions received from the investment reduce the Company's carrying value of the investee and the cost basis if deemed to be a return of capital.

Cost Method. For nonmarketable equity investments where BlackRock neither controls nor has significant influence over the investee, the investments are accounted for using the cost method of accounting. Under the cost method, dividends received from the investment are recorded as dividend income within nonoperating income (expense).

Impairments of Investments. The Company's management periodically assesses its equity method, available-for-sale, held-to-maturity and cost investments for impairment. If circumstances indicate that impairment may exist, investments are evaluated using market values, where available, or the expected future cash flows of the investment. If the undiscounted expected future cash flows are lower than the Company's carrying value of the investment, an impairment charge is recorded in the consolidated statement of income.

When the fair value of available-for-sale securities is lower than cost, the Company evaluates the securities to determine whether the impairment is considered "other-than-temporary."

In making this determination for equity securities, the Company considers, among other factors, the length of time the security has been in a loss position, the extent to which the security's market value is less than cost, the financial condition and near-term prospects of the security's issuer and the Company's ability and intent to hold the security for a length of time sufficient to allow for recovery of such unrealized losses. If the impairment is considered other-than-temporary, an impairment charge is recorded in nonoperating income (expense) on the consolidated statements of income.

In making this determination for debt securities, the Company considers whether: (1) it has the intent to sell the security, (2) it is more likely than not that it will be required to sell the security before recovery or (3) it expects to recover the entire amortized cost basis of the security. If the Company does not intend to sell a security and it is not more likely than not that it will be required to sell the security but the security has suffered a credit loss, the credit loss will be bifurcated from the total impairment and recorded in earnings with the remaining portion recorded in accumulated other comprehensive income.

Consolidation. For investment products in which BlackRock's voting interest is less than 50%, an analysis is performed to determine if the investment product is a VIE or a voting rights entity.

Consolidation of Variable Interest Entities. Pursuant to ASC 810, *Consolidation* ("ASC 810"), certain investment products for which the risks and rewards of ownership are not directly linked to voting interests may be deemed VIEs. BlackRock reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investment product is a VIE. BlackRock continuously evaluates such factors as facts and circumstances change. BlackRock is required to consolidate a VIE when it is deemed to be the PB.

Accounting Standards Update ("ASU") 2010-10, *Amendments to Statement 167 for Certain Investment Funds* ("ASU 2010-10"), defers the application of Statement of Financial Accounting Standards ("SFAS") No. 167, *Amendments to FASB Interpretation No. 46(R),* for certain investment funds, including money market funds.

The PB of a VIE that does not meet the conditions of ASU 2010-10 is the enterprise that has the power to direct activities of the entity that most significantly impact the entity's economic performance and has the obligation to absorb losses or the right to receive benefits that potentially could be significant to the VIE.

The PB of a VIE that meets the conditions of ASU 2010-10 is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that absorbs the majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both.

Consolidation of Voting Rights Entities. To the extent that BlackRock can exert control over the financial and operating policies of the investee, which generally exists if there is a 50% or greater voting interest or if partners or members of certain products do not have substantive rights, BlackRock consolidates the investee.

The Company, as general partner or managing member of certain sponsored investment funds, generally is presumed to control funds that are limited partnerships or limited liability companies. Pursuant to ASC 810-20, *Control of Partnerships and Similar Entities* ("ASC 810-20"), the Company reviews such investment vehicles to determine if such a presumption can be overcome by determining whether other nonaffiliated partners or members of the limited partnership or limited liability company have the substantive ability to dissolve (liquidate) the investment vehicle, or to otherwise remove BlackRock as the general partner or managing member without cause based on an unaffiliated simple majority vote, or have other substantive participating rights. If the investment vehicle is not a VIE and the presumption of control is not overcome, BlackRock will consolidate the investment vehicle.

Retention of Specialized Accounting Principles. Upon consolidation of certain sponsored investment funds, the Company retains the specialized accounting principles of the underlying funds pursuant to ASC 810. All of the underlying investments held by such consolidated sponsored investment funds are carried at fair value, with corresponding changes in the investments' fair values reflected in nonoperating income (expense) on the consolidated statements of income. When the Company no longer controls these funds due to reduced ownership percentage or other reasons, the funds are deconsolidated and accounted for under another accounting method if the Company still maintains an investment.

Separate Account Assets and Liabilities. Separate account assets are maintained by BlackRock Life Limited, a wholly owned subsidiary of the Company, which is a registered life insurance company in the United Kingdom, and represent segregated assets held for purposes of funding individual and group pension contracts. The life insurance company does not underwrite any insurance contracts that involve any insurance risk transfer from the insured to the life insurance company. The separate account assets primarily include equity securities, debt securities, money market funds and derivatives. The separate account assets are not subject to general claims of the creditors of BlackRock. These separate account assets and the related equal and offsetting liabilities are recorded as separate account assets and separate account liabilities on the consolidated statements of financial condition in accordance with ASC 944-80, *Financial Services – Separate Accounts.*

The net investment income attributable to separate account assets supporting individual and group pension contracts accrues directly to the contract owner and is not reported on the consolidated statements of income. While BlackRock has no economic interest in these separate account assets and liabilities, BlackRock earns policy administration and management fees associated with these products, which are included in investment advisory, administration fees and securities lending revenue on the consolidated statements of income.

Separate Account Collateral Assets Held and Liabilities Under Securities Lending Agreements. The Company facilitates securities lending arrangements whereby securities held by separate account assets maintained by BlackRock Life Limited are lent to third parties under global master securities lending agreements. In exchange, the Company receives collateral with minimum values generally ranging from approximately 102% to 112% of the value of the securities lent in order to reduce counterparty risk. The required collateral value is calculated on a daily basis. The global master securities lending agreements provide the Company the right to request additional collateral or, in the event of borrower default, the right to liquidate collateral. Under the Company's securities lending arrangements, the Company can resell or repledge the collateral and the borrower can resell or repledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time; therefore, these transactions are not reported as sales under ASC 860, *Transfers and Servicing.*

As a result of the Company's ability to resell or repledge the collateral, the Company records on the consolidated statements of financial condition the cash and noncash collateral received under these arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. During 2013 and 2012, the Company had not resold or repledged any of the collateral received under these arrangements. At December 31, 2013 and 2012, the fair value of loaned securities held by separate account assets was approximately $19.7 billion and $21.0 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $21.8 billion and $23.0 billion, respectively.

Deferred Sales Commissions. The Company holds the rights to receive certain cash flows from sponsored mutual funds sold without a front-end sales charge ("back-end load shares"). The carrying value of these deferred mutual fund commissions is recorded within other assets on the consolidated statements of financial condition and is being amortized over periods between one and six years. The Company receives distribution fees from these funds and contingent deferred sales commissions ("CDSCs") upon shareholder redemption of certain back-end load shares that are recorded within distribution fees on the consolidated statements of income. Upon receipt of CDSCs, the Company records revenue and the remaining unamortized deferred sales commission is expensed.

The Company periodically reviews the carrying value of deferred commission assets to determine whether a significant decline in the AUM of these funds or other events or circumstances indicate that an impairment may have occurred. If indicators of a potential impairment exist, the Company compares the carrying value of the asset to the estimated future net undiscounted cash flows related to the asset. If such assessments indicate that the estimated future net undiscounted cash flows will not be sufficient to recover the remaining carrying value, the assets are adjusted to their estimated fair value. No such impairments were recorded for 2013, 2012 and 2011.

Property and Equipment. Property and equipment are recorded at cost less accumulated depreciation. Depreciation is generally determined by cost less any estimated residual value using the straight-line method over the estimated useful lives of the various classes of property and equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life or the remaining lease term.

BlackRock develops a variety of risk management, investment analytic and investment system services for internal use, utilizing proprietary software that is hosted and maintained by BlackRock. In accordance with ASC 350-40, *Internal-Use Software* ("ASC 350-40"), the Company capitalizes certain costs incurred in connection with developing or obtaining software for internal use. Capitalized software costs are included within property and equipment on the consolidated statements of financial condition and are amortized, beginning when the software project is put into production, over the estimated useful life of the software of approximately three years.

Goodwill and Intangible Assets. Goodwill represents the excess cost of a business acquisition over the fair value of the net identifiable assets acquired. In its assessment of goodwill for impairment, the Company considers such factors as the book value and market capitalization of the Company. On a quarterly basis, the Company considers if triggering events have occurred that may indicate a potential goodwill impairment. If a triggering event has occurred, the Company performs assessments, which may include reviews of significant valuation assumptions, to determine if goodwill may be impaired. The Company performs an impairment assessment of its goodwill at least annually, as of July 31st.

Intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets acquired in a business acquisition. The value of contracts to manage assets in proprietary open-end funds and collective trust funds and certain other commingled products without a specified termination date is generally classified as indefinite-lived intangible assets. The assignment of indefinite lives to such contracts primarily is based upon the following: (i) the assumption that there is no foreseeable limit on the contract period to manage these products; (ii) the Company expects to, and has the ability to, continue to operate these products indefinitely; (iii) the products have multiple investors and are not reliant on a single investor or small group of investors for their continued operation; (iv) current competitive factors and economic conditions do not indicate a finite life; and (v) there is a high likelihood of continued renewal based on historical experience. In addition, trade names/trademarks are considered indefinite-lived intangible assets when they are expected to generate cash flows indefinitely.

In accordance with ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), indefinite-lived intangible assets and goodwill are not amortized. The value of contracts for separately managed accounts ("SMAs") and certain funds that have finite lives are amortized over the expected lives of the management contracts.

The Company performs assessments to determine if any intangible assets are potentially impaired and whether the indefinite-life and finite-life classifications are still appropriate. The carrying value of finite-lived management contracts and their remaining useful lives are reviewed at least annually to determine if circumstances exist which may indicate a potential impairment. The Company performs such impairment assessments of its intangible assets including indefinite-lived management contracts and trade names/trademarks, at least annually, as of July 31st. In evaluating whether it is more likely than not that the fair value of indefinite-lived intangibles is less than its carrying value, BlackRock assesses various significant qualitative factors, including assets under management ("AUM"), revenue basis points, projected AUM growth rates, operating margins, tax rates and discount rates. In addition, the Company considers other factors, including (i) macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which an entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics, a change in the market for an entity's services, or regulatory, legal or political developments; and (iii) entity-specific events, such as a change in management or key personnel, overall financial performance and litigation that could affect significant inputs.

If potential impairment circumstances are considered to exist, the Company will perform an impairment test, using an undiscounted cash flow analysis. Actual results could differ from these cash flow estimates, which could materially impact the impairment conclusion. If the asset is determined to be impaired, the difference between the carrying value of the asset and its current fair value would be recognized as an expense in the period in which the impairment occurs.

Noncontrolling Interests. The Company reports noncontrolling interests as equity, separate from the parent's equity, on the consolidated statements of financial condition. In addition, the Company's consolidated net income on the consolidated statements of income includes the income (loss) attributable to noncontrolling interest holders of the Company's consolidated sponsored investment funds and collateralized loan obligations ("CLOs"). Income (loss) attributable to noncontrolling interests is not adjusted for income taxes for consolidated sponsored investment funds and CLOs that are treated as pass-through entities for tax purposes.

Classification and Measurement of Redeemable Securities. The Company includes redeemable noncontrolling interests related to certain consolidated sponsored investment funds in temporary equity on the consolidated statements of financial condition.

Appropriated Retained Earnings. Upon the initial consolidation of CLOs, BlackRock records an adjustment to appropriated retained earnings on the consolidated statements of financial condition equal to the difference between the fair value of the CLOs' assets and the fair value of their liabilities. Such amounts are recorded as appropriated retained earnings as the CLO noteholders ultimately will receive the benefits or absorb the losses associated with the CLOs' assets and liabilities. The net change in the fair value of the CLOs' assets and liabilities is recorded as net income (loss) attributable to nonredeemable noncontrolling interests and as a change to appropriated retained earnings.

Treasury Stock. The Company records common stock purchased for treasury at cost. At the date of subsequent reissuance, the treasury stock account is reduced by the cost of such stock using the average cost method.

Revenue Recognition

Investment Advisory, Administration Fees and Securities Lending Revenue. Investment advisory and administration fees are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of AUM or committed capital. Investment advisory and administration fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net subscriptions or redemptions. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers.

The Company contracts with third parties and related parties for various mutual fund distribution and shareholder servicing to be performed on behalf of certain funds the Company manages. Such arrangements generally are priced as a portion of the management fee paid by the fund. In certain cases, the fund (primarily international funds) takes on the primary responsibility for payment for services such that the Company bears no credit risk to the third party. The Company accounts for such retrocession arrangements in accordance with ASC 605-45, *Revenue Recognition – Principal Agent Considerations,* and records its management fees net of retrocessions. Retrocessions for 2013, 2012 and 2011 were $785 million, $793 million and $928 million, respectively, and were reflected net in investment advisory, administration fees and securities lending revenue on the consolidated statements of income.

The Company also earns revenue by lending securities as an agent on behalf of clients, primarily to brokerage institutions. Such revenues are accounted for on an accrual basis. The revenue earned is shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed.

Investment Advisory Performance Fees. The Company receives investment advisory performance fees or an incentive allocation from certain actively managed investment funds and certain SMAs. These performance fees are earned upon exceeding specified relative or absolute investment return thresholds. Such fees are recorded upon completion of the measurement period, which varies by product or account.

The Company may receive carried interest from certain alternative investments upon exceeding performance thresholds. BlackRock may be required to return all, or part, of such carried interest depending upon future performance of these investments. BlackRock records carried interest subject to such clawback provisions in investments, or cash on the consolidated statements of financial condition to the extent that it is distributed. Carried interest is realized and recorded as performance fee revenue upon the earlier of the termination of the investment fund or when the likelihood of clawback is mathematically improbable. The Company records a deferred carried interest liability to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. At December 31, 2013 and 2012, the Company had $108 million and $97 million, respectively, of deferred carried interest recorded in other liabilities on the consolidated statements of financial condition.

BlackRock Solutions and Advisory. BlackRock provides a variety of risk management, investment analytic, enterprise investment system and financial markets advisory services to financial institutions, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts and government agencies. These services are provided under the brand name *BlackRock Solutions*® and include a wide array of risk management services, valuation of illiquid securities, disposition and workout assignments (including long-term portfolio liquidation assignments), strategic planning and execution, and enterprise investment system outsourcing to clients. Fees earned for *BlackRock Solutions* and advisory services are recorded as services are performed and are determined using some, or all, of the following methods: (i) percentages of various attributes of advisory AUM or value of positions on the *Aladdin*® platform, (ii) fixed fees and (iii) performance fees if contractual thresholds are met. The fees earned for *BlackRock Solutions* and advisory services are recorded in *BlackRock Solutions* and advisory on the consolidated statements of income.

Other Revenue. The Company earns fees for transition management services comprised of commissions from acting as an introducing broker-dealer in buying and selling securities on behalf of the Company's customers. Commissions related to transition management services are recorded on a trade-date basis as securities transactions occur and are reflected in other revenue on the consolidated statements of income.

The Company earns commissions revenue upon the sale of unit trusts and Class A mutual funds. Revenue is recorded at the time of the sale of the product.

Other revenue also includes equity method investment earnings related to certain strategic investments and marketing fees earned for services to distribute *iPath*® products, which are exchange-traded notes issued by Barclays.

Stock-based Compensation. The Company applies ASC 718-10, *Compensation – Stock Compensation* ("ASC 718-10"), which establishes standards for the accounting of transactions in which an entity obtains employee services in share-based payment transactions. Entities are required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The compensation cost is recognized over the period during which an employee is required to provide service (usually the vesting period) in exchange for the stock-based award.

The Company measures the grant-date fair value of restricted stock units ("RSUs") using the Company's share price on the date of grant. For employee share options and instruments with market conditions, the Company uses pricing models. If an equity award is modified after the grant date, incremental compensation cost is recognized for an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. Awards under the Company's stock-based compensation plans vest over various periods. Compensation cost is recorded by the Company on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award is, in-substance, multiple awards. Compensation cost is reduced by the number of awards expected to be forfeited prior to vesting. Forfeiture estimates generally are derived using historical forfeiture information, where available, and are reviewed for reasonableness at least quarterly.

The Company amortizes the grant-date fair value of stock-based compensation awards made to retirement-eligible employees over the requisite service period. Upon notification of retirement, the Company accelerates the unamortized portion of the award over the contractually required retirement notification period, if applicable.

Distribution and Servicing Costs. Distribution and servicing costs include payments to third parties, primarily associated with distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs are expensed when incurred.

Direct Fund Expenses. Direct fund expenses, which are expensed as incurred, primarily consist of third-party nonadvisory expenses incurred by BlackRock related to certain funds for the use of certain index trademarks, reference data for certain indices, custodial services, fund administration, fund accounting, transfer agent services, shareholder reporting services, audit and tax services as well as other fund-related expenses directly attributable to the nonadvisory operations of the fund.

Leases. The Company accounts for its operating leases, which may include escalation clauses, in accordance with ASC 840-10, *Leases*. The Company expenses the lease payments associated with operating leases evenly during the lease term (including rent-free periods) commencing when the Company obtains control over the leased property.

Foreign Exchange. Monetary assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the date of the consolidated statements of financial condition. Nonmonetary assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates during the period. Gains or losses resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive income, a separate component of stockholders' equity, on the consolidated statements of financial condition. Gains or losses resulting from foreign currency transactions are included in general and administration expense on the consolidated statements of income. For 2013, 2012 and 2011, the gains (losses) from foreign currency transactions were immaterial.

Income Taxes. The Company accounts for income taxes under the asset and liability method prescribed by ASC 740-10, *Income Taxes* ("ASC 740-10"). Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in consolidated statements of income in the period that includes the enactment date.

Management periodically assesses the recoverability of its deferred income tax assets based upon expected future earnings, taxable income in prior carryback years, future deductibility of the asset, changes in applicable tax laws and other factors. If management determines that it is not more likely than not that the deferred tax asset will be fully recoverable in the future, a valuation allowance will be established for the difference between the asset balance and the amount expected to be recoverable in the future. This allowance will result in additional income tax expense. Further, the Company records its income taxes receivable and payable based upon its estimated income tax position.

Excess tax benefits related to stock-based compensation are recognized as additional paid-in capital and are reflected as financing cash flows on the consolidated statements of cash flows. If the Company does not have additional paid-in capital credits (cumulative tax benefits recorded to additional paid-in capital), the Company will record an expense for any deficit, or shortfall, between the recorded tax benefit and tax return benefit. At December 31, 2013 and 2012, BlackRock had excess additional paid-in capital credits to absorb potential future deficits between recorded tax benefits and tax return benefits.

Earnings per Share ("EPS"). Basic EPS is calculated by dividing net income applicable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted EPS includes the determinants of basic EPS and common stock equivalents outstanding during the period. Diluted EPS is computed using the treasury stock method.

Due to the similarities in terms between BlackRock's nonvoting participating preferred stock and the Company's common stock, the Company considers its nonvoting participating preferred stock to be a common stock equivalent for purposes of EPS calculations. As such, the Company has included the outstanding nonvoting participating preferred stock in the calculation of average basic and diluted shares outstanding.

Prior to 2013, the Company calculated EPS pursuant to the two-class method as defined in ASC 260-10, *Earnings per Share* ("ASC 260-10"), which specifies that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents are considered participating securities and should be included in the computation of EPS. The Company's participating securities consisted of its unvested share-based payment awards that contained rights to nonforfeitable dividends or dividend equivalents. The dilutive effect of participating securities was calculated under the more dilutive of either the treasury stock method or the two-class method. The Company's remaining participating securities vested in January 2013.

Business Segments. The Company's management directs BlackRock's operations as one business, the asset management business. As such, the Company operates in one business segment as defined in ASC 280-10, *Segment Reporting* ("ASC 280-10").

Business Combinations. The Company accounts for business combinations in accordance with the requirements of ASC 805, *Business Combinations* ("ASC 805"). The fundamental requirement of ASC 805 is that the acquisition method of accounting (the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. The provisions of ASC 805 define the acquirer, establish the acquisition date and define transactions that qualify as business combinations.

Additionally, the requirements of ASC 805 provide guidance for measuring the fair value of assets acquired, liabilities assumed and any noncontrolling interest in the acquiree, provide guidance for the measurement of fair value in a step acquisition, provide guidance for recognizing assets acquired and liabilities assumed subject to contingencies, provide guidance on recognition and measurement of contingent consideration and require that acquisition-related costs of the acquirer generally be expensed as incurred. Reversal of valuation allowances related to acquired deferred tax assets and changes to liabilities for unrecognized tax benefits related to tax positions assumed in business combinations subsequent to the adoption of the requirements of ASC 805, will affect the income tax provision in the period of reversal or change.

Fair Value Measurements.

Hierarchy of Fair Value Inputs. The provisions of ASC 820, *Fair Value Measurement* ("ASC 820"), establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs:

Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.

- Level 1 assets may include listed mutual funds (including those accounted for under the equity method of accounting as these mutual funds are investment companies that have publicly available net asset values ("NAVs"), which in accordance with GAAP, are calculated under fair value measures and the changes in fair values are equal to the earnings of such funds), ETFs, listed equities and certain exchange-traded derivatives.

Level 2 Inputs:

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers for which the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. As a practical expedient, the Company relies on the NAV (or its equivalent) of certain investments as their fair value.

- Level 2 assets may include debt securities, bank loans, short-term floating-rate notes and asset-backed securities, securities held within consolidated hedge funds, certain equity method limited partnership interests in hedge funds valued based on NAV (or its equivalent) where the Company has the ability to redeem at the measurement date or within the near term without redemption restrictions, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

Level 3 Inputs:

Unobservable inputs for the valuation of the asset or liability, which may include nonbinding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Certain investments that are valued using a NAV (or its equivalent) and are subject to current redemption restrictions that will not be lifted in the near term are included in Level 3.

- Level 3 assets may include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds and funds of hedge funds, direct private equity investments held within consolidated funds, bank loans and bonds.
- Level 3 liabilities include borrowings of consolidated collateralized loan obligations valued based upon nonbinding single-broker quotes.
- Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices.

Significance of Inputs. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Valuation Techniques. The fair values of certain Level 3 assets and liabilities were determined using various methodologies as appropriate, including NAVs of underlying investments, third-party pricing vendors, broker quotes and market and income approaches. Such quotes and modeled prices are evaluated for reasonableness through various procedures, including due diligence reviews of third-party pricing vendors, variance analyses, consideration of the current market environment and other analytical procedures.

As a practical expedient, the Company relies on NAV as the fair value for certain investments. The inputs to value these investments may include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds, which may be adjusted by using the returns of certain market indices. The various partnerships generally are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information from third-party sources, including independent appraisals. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that may be used as an input to value these investments.

A significant amount of inputs used to value equity, debt securities and bank loans is sourced from well-recognized third-party pricing vendors. Generally, prices obtained from pricing vendors are categorized as Level 1 inputs for identical securities traded in active markets and as Level 2 for other similar securities if the vendor uses observable inputs in determining the price. Annually, BlackRock's internal valuation committee or other designated groups review both the valuation methodologies, including the general assumptions and methods used to value various asset classes, and operational processes with these vendors. On a quarterly basis, meetings are held with key vendors to identify any significant changes to the vendors' processes.

In addition, quotes obtained from brokers generally are nonbinding and categorized as Level 3 inputs. However, if the Company is able to determine that market participants have transacted for the asset in an orderly manner near the quoted price or if the Company can determine that the inputs used by the broker are observable, the quote is classified as a Level 2 input.

Fair Value Option. ASC 825-10, *Financial Instruments* ("ASC 825-10"), provides a fair value option election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument-by-instrument basis, which must be applied to an entire instrument, and not only specified risks, specific cash flows, or portions of that instrument, and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

Derivative Instruments and Hedging Activities. ASC 815-10, *Derivatives and Hedging* ("ASC 815-10"), establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts and for hedging activities. ASC 815-10 generally requires an entity to recognize all derivatives as either assets or liabilities on the consolidated statements of financial condition and to measure those investments at fair value.

The Company does not use derivative financial instruments for trading or speculative purposes. The Company may use derivative financial instruments primarily for purposes of hedging: (i) exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, (ii) market exposures for certain seed investments and (iii) future cash flows on floating-rate notes. The Company may also use derivatives within its separate account assets, which are segregated funds held for purposes of funding individual and group pension contracts. In addition, certain consolidated sponsored investment funds may also invest in derivatives as a part of their investment strategy.

Changes in the fair value of the Company's derivative financial instruments are generally recognized in earnings and, where applicable, are offset by the corresponding gain or loss on the related foreign-denominated assets or liabilities or hedged investments, on the consolidated statements of income.

Accounting Pronouncements Adopted in 2013

Amendments to Accumulated Other Comprehensive Income Disclosures. On February 5, 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"), which added new disclosure requirements for items reclassified out of accumulated other comprehensive income ("AOCI"). See Note 18, *Accumulated Other Comprehensive Income (Loss)*.

Disclosures About Offsetting Assets and Liabilities. On December 16, 2011, the FASB issued ASU 2011-11, *Disclosures About Offsetting Assets and Liabilities* ("ASU 2011-11"), which created new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. On January 31, 2013, the FASB issued ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* ("ASU 2013-01"), that provides clarification about which instruments and transactions are subject to ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 on January 1, 2013 was not material to the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Cumulative Translation Adjustment. In March 2013, the FASB issued ASU 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. ASU 2013-05 became effective for the Company on January 1, 2014. The Company does not believe the adoption of ASU 2013-05 will have a material impact on the consolidated financial statements.

Investment Company Guidance. In June 2013, the FASB issued ASU 2013-08, *Financial Services — Investment Companies: Amendments to the Scope, Measurement, and Disclosure Requirements* ("ASU 2013-08"). ASU 2013-08 amends the current criteria for an entity to qualify as an investment company, creates new disclosure requirements and amends the measurement criteria for certain interests in other investment companies. ASU 2013-08 became effective for the Company on January 1, 2014. The Company does not believe the adoption of ASU 2013-08 will have a material impact on the consolidated financial statements.

Presentation of an Unrecognized Tax Benefit. In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 became effective for the Company on January 1, 2014. The Company does not believe the adoption of ASU 2013-11 will have a material impact on the consolidated financial statements.

3. Investments

A summary of the carrying value of total investments is as follows:

(in millions)	**December 31, 2013**	December 31, 2012
Available-for-sale investments	**$ 183**	$ 158
Held-to-maturity investments	**83**	112
Trading investments:		
Consolidated sponsored investment funds	**385**	123
Other equity and debt securities	**43**	94
Deferred compensation plan mutual funds	**58**	53
Total trading investments	**486**	270
Other investments:		
Consolidated sponsored investment funds	**441**	401
Equity method investments	**697**	595
Deferred compensation plan hedge fund equity method investments	**39**	9
Cost method investments(1)	**119**	120
Carried interest	**103**	85
Total other investments	**1,399**	1,210
Total investments	**$ 2,151**	$ 1,750

(1) Amounts primarily include Federal Reserve Bank Stock

At December 31, 2013, the Company consolidated $826 million of investments held by consolidated sponsored investment funds (excluding VIEs) of which $385 million and $441 million were classified as trading investments and other investments, respectively. At December 31, 2012, the Company consolidated $524 million of investments held by consolidated sponsored investment funds (excluding VIEs) of which $123 million and $401 million were classified as trading investments and other investments, respectively.

Available-for-Sale Investments

A summary of the cost and carrying value of investments classified as available-for-sale is as follows:

(in millions)		Gross Unrealized		Carrying Value
At December 31, 2013	**Cost**	**Gains**	**Losses**	
Equity securities of sponsored investment funds	**$180**	**$ 4**	**$ (4)**	**$ 180**
Other securities	**1**	**2**	**—**	**3**
Total available-for-sale investments	**$181**	**$ 6**	**$ (4)**	**$ 183**
At December 31, 2012				
Equity securities of sponsored investment funds	$142	$ 14	$ (1)	$ 155
Other securities	2	1	—	3
Total available-for-sale investments	$144	$ 15	$ (1)	$ 158

Available-for-sale investments primarily included seed investments in BlackRock sponsored investment mutual funds.

A summary of sale activity in available-for-sale securities during 2013, 2012 and 2011 is shown below.

	Year ended December 31,		
(in millions)	**2013**	**2012**	**2011**
Sales proceeds	**$ 139**	$ 134	$ 44
Net realized gain (loss):			
Gross realized gains	**$ 20**	$ 8	$ 3
Gross realized losses	**(1)**	(1)	(2)
Net realized gain (loss)	**$ 19**	$ 7	$ 1

Held-to-Maturity Investments

The carrying value of held-to-maturity investments was $83 million and $112 million at December 31, 2013 and 2012, respectively. Held-to-maturity investments included foreign government debt held for regulatory purposes and the amortized cost (carrying value) of these investments approximated fair value. At December 31, 2013, $69 million of these investments mature in one year or less and $14 million mature after 10 years.

Trading Investments

A summary of the cost and carrying value of trading investments is as follows:

	December 31, 2013		December 31, 2012	
(in millions)	**Cost**	**Carrying Value**	**Cost**	**Carrying Value**
Trading investments:				
Deferred compensation plan mutual funds	**$ 49**	**$ 58**	$ 46	$ 53
Equity/Multi-asset mutual funds	**174**	**184**	154	162
Debt securities/fixed income mutual funds:				
Corporate debt	**128**	**128**	44	44
Government debt	**121**	**116**	11	11
Total trading investments	**$ 472**	**$ 486**	$ 255	$ 270

At December 31, 2013, trading investments included $172 million of equity securities and $213 million of debt securities held by consolidated sponsored investment funds, $58 million of certain deferred compensation plan mutual fund investments and $43 million of equity and debt securities.

At December 31, 2012, trading investments included $73 million of equity securities and $50 million of debt securities held by consolidated sponsored investment funds, $53 million of certain deferred compensation plan mutual fund investments and $94 million of equity and debt securities.

Other Investments

A summary of the cost and carrying value of other investments is as follows:

	December 31, 2013		December 31, 2012	
(in millions)	**Cost**	**Carrying Value**	**Cost**	**Carrying Value**
Other investments:				
Consolidated sponsored investment funds	**$ 420**	**$ 441**	$ 378	$ 401
Equity method	**613**	**697**	541	595
Deferred compensation plan equity method investments	**37**	**39**	15	9
Cost method investments:				
Federal Reserve Bank stock	**90**	**90**	89	89
Other	**17**	**29**	31	31
Total cost method investments	**107**	**119**	120	120
Carried interest	**—**	**103**	—	85
Total other investments	**$ 1,177**	**$ 1,399**	$ 1,054	$ 1,210

Consolidated sponsored investment funds include third-party private equity funds, direct investments in private companies and third-party hedge funds held by BlackRock sponsored investment funds.

Equity method investments primarily include BlackRock's direct investment in certain BlackRock sponsored investment funds. See Note 11, *Other Assets*, for information on the Company's investment in PennyMac Financial Services, Inc. ("PennyMac"), which is included in other assets on the consolidated statements of financial condition.

Cost method investments include nonmarketable securities, including Federal Reserve Bank ("FRB") stock, which is held for regulatory purposes and is restricted from sale. At December 31, 2013 and 2012, there were no indicators of impairment on these investments.

Carried interest represents allocations to BlackRock's general partner capital accounts from certain funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds.

4. Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such funds. The investments owned by these consolidated sponsored investment funds are classified as trading or other investments. The following table presents the balances related to these consolidated funds that were included on the consolidated statements of financial condition as well as BlackRock's net interest in these funds:

(in millions)	December 31, 2013	December 31, 2012
Cash and cash equivalents	**$ 114**	$ 133
Investments:		
Trading investments	**385**	123
Other investments	**441**	401
Other assets	**20**	25
Other liabilities	**(39)**	(65)
Noncontrolling interests	**(189)**	(187)
BlackRock's net interests in consolidated investment funds	**$ 732**	$ 430

BlackRock's total exposure to consolidated sponsored investment funds represents the value of its economic ownership interest in these sponsored investment funds. Valuation changes associated with investments held at fair value by these consolidated investment funds are reflected in nonoperating income (expense) and partially offset in net income (loss) attributable to noncontrolling interests for the portion not attributable to BlackRock.

In addition, at December 31, 2013 and 2012, several consolidated CLOs and one sponsored investment fund, which were deemed to be VIEs, were excluded from the balances in the table above as the balances for these investment products are reported separately on the consolidated statements of financial condition. See Note 6, *Variable Interest Entities*, for further discussion on these consolidated investment products.

The Company may not be readily able to access cash and cash equivalents held by consolidated sponsored investment funds to use in its operating activities. In addition, the Company may not be readily able to sell investments held by consolidated sponsored investment funds in order to obtain cash for use in the Company's operations.

5. Fair Value Disclosures

Assets and liabilities measured at fair value on a recurring basis and other assets not held at fair value

December 31, 2013 *(in millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Other Assets Not Held at Fair Value(1)**	**December 31, 2013**
Assets:					
Investments					
Available-for-sale:					
Equity securities of sponsored investment funds	$ 180	$ —	$ —	$ —	**$ 180**
Other securities	—	3	—	—	**3**
Total available-for-sale	180	3	—	—	**183**
Held-to-maturity debt securities	—	—	—	83	**83**
Trading:					
Deferred compensation plan mutual funds	58	—	—	—	**58**
Equity/Multi-asset mutual funds	184	—	—	—	**184**
Debt securities / fixed income mutual funds	31	213	—	—	**244**
Total trading	273	213	—	—	**486**
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	—	135	24	—	**159**
Private / public equity (2)	5	13	223	41	**282**
Total consolidated sponsored investment funds	5	148	247	41	**441**
Equity method:					
Hedge funds / Funds of hedge funds	—	177	99	63	**339**
Private equity investments	—	—	101	—	**101**
Real estate funds	—	20	98	7	**125**
Fixed income mutual funds	113	—	—	—	**113**
Equity/Multi-asset, alternative mutual funds	19	—	—	—	**19**
Total equity method	132	197	298	70	**697**
Deferred compensation plan equity method investments	—	10	29	—	**39**
Cost method investments	—	—	—	119	**119**
Carried interest	—	—	—	103	**103**
Total investments	590	571	574	416	**2,151**
Separate account assets	113,382	40,841	—	890	**155,113**
Separate account collateral held under securities lending agreements:					
Equity securities	20,856	—	—	—	**20,856**
Debt securities	—	932	—	—	**932**
Total separate account collateral held under securities lending agreements	20,856	932	—	—	**21,788**
Other assets (3)	—	39	—	—	**39**
Assets of consolidated VIEs:					
Bank loans and other assets	—	2,047	129	19	**2,195**
Bonds	—	71	35	—	**106**
Private / public equity (4)	—	10	14	—	**24**
Total assets of consolidated VIEs	—	2,128	178	19	**2,325**
Total	$ 134,828	$ 44,511	$ 752	$ 1,325	**$ 181,416**
Liabilities:					
Borrowings of consolidated VIEs	$ —	$ —	$ 2,369	$ —	**$ 2,369**
Separate account collateral liabilities under securities lending agreements	20,856	932	—	—	**21,788**
Other liabilities (5)	18	4	42	—	**64**
Total	$ 20,874	$ 936	$ 2,411	$ —	**$ 24,221**

(1) Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

(2) Level 3 amounts include $195 million and $28 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Amount includes company-owned and split-dollar life insurance policies and unrealized gains on forward foreign currency exchange contracts.

(4) Level 3 amounts include $14 million of underlying third-party private equity funds held by a private equity fund.

(5) Amounts include a credit default swap (see Note 7, *Derivatives and Hedging*, for more information), securities sold short within consolidated sponsored investment funds and contingent liabilities related to the acquisitions of Credit Suisse's ETF franchise and MGPA.

Assets and liabilities measured at fair value on a recurring basis and other assets not held at fair value

December 31, 2012 *(in millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Other Assets Not Held at Fair Value(1)**	**December 31, 2012**
Assets:					
Investments					
Available-for-sale:					
Equity securities of sponsored investment funds	$ 155	$ —	$ 1	$ —	$ 156
Other securities	—	2	—	—	2
Total available-for-sale	155	2	1	—	158
Held-to-maturity debt securities	—	—	—	112	112
Trading:					
Deferred compensation plan mutual funds	53	—	—	—	53
Equity/Multi-asset mutual funds	159	3	—	—	162
Debt securities / fixed income mutual funds	5	50	—	—	55
Total trading	217	53	—	—	270
Other investments:					
Consolidated sponsored investment funds:					
Hedge funds / Funds of funds	3	39	73	—	115
Private / public equity (2)	10	10	266	—	286
Total consolidated sponsored investment funds	13	49	339	—	401
Equity method:					
Hedge funds / Funds of hedge funds	—	61	161	39	261
Private equity investments	—	—	90	—	90
Real estate funds	—	19	88	15	122
Fixed income mutual funds	46	—	—	—	46
Equity/Multi-asset, alternative mutual funds	76	—	—	—	76
Total equity method	122	80	339	54	595
Deferred compensation plan hedge fund equity method investments	—	9	—	—	9
Cost method investments	—	—	—	120	120
Carried interest	—	—	—	85	85
Total investments	507	193	679	371	1,750
Separate account assets	95,514	38,392	2	860	134,768
Separate account collateral held under securities lending agreements:					
Equity securities	21,273	—	—	—	21,273
Debt securities	—	1,748	—	—	1,748
Total separate account collateral held under securities lending agreements	21,273	1,748	—	—	23,021
Other assets(3)	—	12	—	—	12
Assets of consolidated VIEs:					
Bank loans	—	2,004	106	—	2,110
Bonds	—	78	46	—	124
Private / public equity (4)	2	6	22	—	30
Total assets of consolidated VIEs	2	2,088	174	—	2,264
Total	$ 117,296	$ 42,433	$ 855	$ 1,231	$ 161,815
Liabilities:					
Borrowings of consolidated VIEs	$ —	$ —	$ 2,402	$ —	$ 2,402
Separate account collateral liabilities under securities lending agreements	21,273	1,748	—	—	23,021
Other liabilities(5)	15	5	—	—	20
Total	$ 21,288	$ 1,753	$ 2,402	$ —	$ 25,443

(1) Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

(2) Level 3 amounts include $212 million and $54 million of underlying third-party private equity funds and direct investments in private equity companies held by private equity funds, respectively.

(3) Amount includes company-owned and split-dollar life insurance policies.

(4) Level 3 amounts include $20 million and $2 million of underlying third-party private equity funds and direct investments in private equity companies held by a private equity fund.

(5) Amounts include a credit default swap (see Note 7*Derivatives and Hedging*, for more information) and securities sold short within consolidated sponsored investment funds.

Level 3 Assets. Level 3 investments of $574 million and $679 million at December 31, 2013 and 2012, respectively, primarily related to equity method investments and consolidated sponsored investment funds. Level 3 assets within investments, except for direct investments in private equity companies held by private equity funds described below, were primarily valued based upon NAVs received from internal and third-party fund managers.

Direct investments in private equity companies held by private equity funds totaled $28 million and $56 million at December 31, 2013 and 2012, respectively. Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used are evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current market expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For securities utilizing the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could result in a significantly lower (higher) fair value measurement. For securities utilizing the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation could result in a significantly higher (lower) fair value measurement.

Level 3 assets recorded within separate account assets include single-broker nonbinding quotes for fixed income securities and equity securities that have unobservable inputs due to certain corporate actions.

Level 3 assets of consolidated VIEs include bank loans and bonds valued based on single-broker nonbinding quotes and direct private equity investments and private equity funds valued based upon internal as well as third-party fund manager valuations, which may be adjusted by using the returns of certain market indices.

Level 3 Liabilities. Level 3 borrowings of consolidated VIEs include CLO borrowings valued based upon single-broker nonbinding quotes.

Level 3 other liabilities include contingent liabilities related to the acquisitions of Credit Suisse's ETF franchise and MGPA, which were valued based upon discounted cash flow analyses using unobservable market data inputs.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for 2013

(in millions)	December 31, 2012	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements(1)	Transfers into Level 3	Transfers out of Level 3	December 31, 2013	Total net unrealized gains (losses) included in earnings(2)
Assets:									
Investments:									
Available-for-sale:									
Equity securities of sponsored investment funds	$ 1	$ —	$ —	$ —	$ (1)	$ —	$ —	**$ —**	$ —
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	73	8	12	(19)	(34)	—	(16)	**24**	4
Private equity	266	37	16	(82)	—	—	(14)	**223**	25
Equity method:									
Hedge funds / Funds of hedge funds	161	16	7	(11)	(74)	—	—	**99**	9
Private equity investments	90	21	14	(10)	(14)	—	—	**101**	21
Real estate funds	88	20	7	—	(17)	—	—	**98**	20
Deferred compensation plan equity method investments	—	—	—	—	29	—	—	**29**	—
Total Level 3 investments	679	102	56	(122)	(111)	—	(30)	**574**	79
Separate account assets:	2	—	—	(2)	—	—	—	**—**	n/a(3)
Assets of consolidated VIEs:									
Bank loans	106	—	109	(60)	16	117	(159)	**129**	
Bonds	46	1	4	(16)	—	—	—	**35**	
Private equity	22	2	—	(7)	—	—	(3)	**14**	
Funds of hedge funds	—	—	134	—	(134)	—	—	**—**	
Total Level 3 assets of consolidated VIEs	174	3	247	(83)	(118)	117	(162)	**178**	n/a(4)
Total Level 3 assets	$ 855	$ 105	$ 303	$ (207)	$ (229)	$ 117	$ (192)	**$ 752**	$ 79
Liabilities:									
Borrowings of consolidated VIEs	$ 2,402	$ (14)	$ —	$ —	$ (47)	$ —	$ —	**$ 2,369**	n/a(4)
Other liabilities	—	—	—	—	42	—	—	**42**	—
Total Level 3 liabilities	$ 2,402	$ (14)	$ —	$ —	$ (5)	$ —	$ —	**$ 2,411**	

n/a — not applicable

(1) Amounts include distributions from equity method investees, repayments of borrowings of consolidated VIEs, loans and borrowings related to the consolidation of one additional CLO, elimination of investment related to a deconsolidation of a consolidated VIE and a reclassification of an investment from a consolidated sponsored investment fund to an equity method investment due to a change in ownership percentage. Amounts also include the acquisition of deferred compensation plan equity method investments and contingent liabilities related to the acquisitions of Credit Suisse's ETF franchise and MGPA.

(2) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.

(3) The net investment income attributable to separate account assets accrues directly to the contract owners and is not reported on the consolidated statements of income.

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the consolidated statements of income.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for 2012

(in millions)	December 31, 2011	Realized and unrealized gains (losses) in earnings and OCI	Purchases	Sales and maturities	Issuances and other settlements(1)	Transfers into Level 3	Transfers out of Level 3	December 31, 2012	Total net unrealized gains (losses) included in earnings(2)
Assets:									
Investments:									
Available-for-sale:									
Equity securities of sponsored investment funds	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
Consolidated sponsored investment funds:									
Hedge funds / Funds of funds	22	—	37	(6)	—	25	(5)	73	(1)
Private equity	313	27	32	(85)	(15)	—	(6)	266	24
Equity method:									
Hedge funds / Funds of hedge funds	193	38	—	—	(70)	—	—	161	32
Private equity investments	85	6	11	—	(12)	—	—	90	6
Real estate funds	88	12	21	(7)	(7)	—	(19)	88	12
Total Level 3 investments	702	83	101	(98)	(104)	25	(30)	679	73
Separate account assets	10	5	11	(62)	—	48	(10)	2	n/a(3)
Assets of consolidated VIEs:									
Bank loans	83	4	68	(44)	7	101	(113)	106	
Bonds	40	4	2	—	—	—	—	46	
Private equity	27	4	—	(9)	—	—	—	22	
Total Level 3 assets of consolidated VIEs	150	12	70	(53)	7	101	(113)	174	n/a(4)
Total Level 3 assets	$ 862	$ 100	$ 182	$ (213)	$ (97)	$ 174	$ (153)	$ 855	$ 73
Liabilities:									
Borrowings of consolidated VIEs	$ 1,574	$ (93)	$ —	$ —	$ 735	$ —	$ —	$ 2,402	n/a(4)

n/a — not applicable

(1) Amount primarily includes distributions from equity method investees, and proceeds from and repayments of borrowings of consolidated VIEs.

(2) Earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date.

(3) The net investment income attributable to separate account assets accrues directly to the contract owners and is not reported on the consolidated statements of income.

(4) The net gain (loss) on consolidated VIEs is solely attributable to noncontrolling interests on the consolidated statements of income.

Realized and Unrealized Gains (Losses) for Level 3 Assets and Liabilities. Realized and unrealized gains (losses) recorded for Level 3 assets and liabilities are reported in nonoperating income (expense) on the consolidated statements of income. A portion of net income (loss) for consolidated investments and all of the net income (loss) for consolidated VIEs are allocated to noncontrolling interests to reflect net income (loss) not attributable to the Company.

Transfers in and/or out of Levels. Transfers in and/or out of levels are reflected when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable, or when the Company determines it has the ability, or no longer has the ability, to redeem, in the near term, certain investments that the Company values using a NAV (or a capital account), or when the carrying value of certain equity method investments no longer represents fair value as determined under valuation methodologies.

Separate Account Assets. In 2012, there were $48 million of transfers of equity securities into Level 3 from Level 1, primarily due to market inputs no longer being considered observable.

In 2012, there were $10 million of transfers out of Level 3 to Level 1 primarily related to equity securities held within separate accounts. The transfers were primarily due to availability of observable market inputs.

Assets of Consolidated VIEs. In 2013, there were $159 million of transfers out of Level 3 to Level 2 related to bank loans. In addition, in 2013, there were $117 million of transfers into Level 3 from Level 2 related to bank loans. These transfers in and out of levels were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

In 2012, there were $113 million of transfers out of Level 3 to Level 2 related to bank loans. In addition, in 2012, there were $101 million of transfers into Level 3 from Level 2 related to bank loans. The transfers in and out of levels were primarily due to availability/unavailability of observable market inputs, including inputs from pricing vendors and brokers.

Consolidated Sponsored Investment Funds. In 2013, there were $12 million of transfers out of Level 1 to Level 2 related to consolidated private equity funds. These transfers were due to a direct investment in a public company valued at a discount due to restrictions on sale.

Significant Other Settlements. In 2013 and 2012, there were $105 million and $89 million, respectively, of distributions from equity method investees categorized in Level 3.

In 2013, other settlements included $134 million related to a deconsolidation of a consolidated fund of hedge funds, which was previously classified as a VIE. This fund was deconsolidated during the second quarter of 2013 due to the granting of additional substantive rights to unaffiliated investors of the fund.

In 2013, other settlements included $363 million of borrowings of consolidated VIEs related to a consolidation of one additional CLO.

In 2013, there was a $28 million reclassification of a Level 3 investment from a consolidated sponsored investment fund to an equity method investment due to a change in BlackRock's ownership percentage.

In 2013, issuances and other settlements included $29 million of acquired Level 3 deferred compensation plan equity method investments.

During 2012, other settlements included $1,011 million of proceeds from borrowings of consolidated CLOs.

Disclosures of Fair Value for Financial Instruments Not Held at Fair Value. At December 31, 2013 and 2012, the fair value of the Company's financial instruments not held at fair value are categorized in the table below:

	December 31, 2013		December 31, 2012		
(in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:					
Cash and cash equivalents	**$ 4,390**	**$ 4,390**	$ 4,606	$ 4,606	Level 1(1)
Accounts receivable	**2,247**	**2,247**	2,250	2,250	Level 1(2)
Cash and cash equivalents of consolidated VIEs	**161**	**161**	297	297	Level 1(1)
Financial Liabilities:					
Accounts payable and accrued liabilities	**1,084**	**1,084**	1,055	1,055	Level 1(2)
Short-term borrowings	**—**	**—**	100	100	Level 1(2)
Long-term borrowings	**4,939**	**5,284**	5,687	6,275	Level 2(3)

(1) Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities. At December 31, 2013 and 2012, approximately $64 million and $98 million, respectively, of money market funds were recorded within cash and cash equivalents on the consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund. At December 31, 2013 and 2012, approximately $114 million and $133 million, respectively, related to cash and cash equivalents held by consolidated sponsored investment funds.

(2) The carrying amounts of accounts receivable, accounts payable and accrued liabilities and short-term borrowings approximate fair value due to their short-term nature.

(3) Long-term borrowings are recorded at amortized cost. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is estimated using market prices at the end of December 2013 and 2012, respectively. See Note 12, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

Investments in Certain Entities that Calculate Net Asset Value Per Share

As a practical expedient to value certain investments that do not have a readily determinable fair value and have attributes of an investment company, the Company relies on NAV as the fair value. The following table lists information regarding all investments that use a fair value measurement to account for both their financial assets and financial liabilities in their calculation of a NAV per share (or equivalent).

December 31, 2013

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$ 195	$ 23	n/r	n/r
Other funds of hedge funds	(b)	155	—	Monthly (13%), Quarterly (78%), n/r (9%)	30 –90 days
Equity method:(1)					
Hedge funds/funds of hedge funds	(c)	276	84	Monthly (55%), Quarterly (11%) n/r (34%)	15 – 90 days
Private equity funds	(d)	101	62	n/r	n/r
Real estate funds	(e)	118	12	Quarterly (17%) n/r (83%)	60 days
Deferred compensation plan investments	(f)	39	7	Monthly (8%), Quarterly (18%) n/r (74%)	60 –90 days
Consolidated VIEs:					
Private equity fund	(g)	14	1	n/r	n/r
Total		$ 898	$ 189		

December 31, 2012

(in millions)	Ref	Fair Value	Total Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds:					
Private equity funds of funds	(a)	$ 212	$ 32	n/r	n/r
Other funds of hedge funds	(b)	98	—	Monthly (22%) Quarterly (11%) n/r (67%)	1 –90 days
Equity method:(1)					
Hedge funds/funds of hedge funds	(c)	222	42	Monthly (2%) Quarterly (28%) n/r (70%)	15 –90 days
Private equity funds	(d)	90	135	n/r	n/r
Real estate funds	(e)	107	15	Quarterly (18%) n/r (82%)	60 days
Deferred compensation plan hedge fund investments	(f)	9	—	Monthly (33%) Quarterly (67%)	60 –90 days
Consolidated VIE:					
Private equity fund	(g)	20	1	n/r	n/r
Trading:					
Equity	(h)	3	—	Daily (100%)	None
Total		$ 761	$ 225		

n/r – not redeemable

(1) Comprised of equity method investments, which include investment companies, which account for their financial assets and most financial liabilities under fair value measures; therefore, the Company's investment in such equity method investees approximates fair value.

(a) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately seven years at both December 31, 2013 and 2012. The total remaining unfunded commitments to other third-party funds were $23 million and $32 million at December 31, 2013 and 2012, respectively. The Company was contractually obligated to fund $30 million at both December 31, 2013 and 2012 to the consolidated funds.

(b) This category includes consolidated funds of hedge funds that invest in multiple strategies to diversify risks. The fair values of the investments have been estimated using the NAV of the fund's ownership interest in partners' capital of each fund in the portfolio. Certain of the underlying funds can be redeemed as long as there are no restrictions in place. At December 31, 2013 and 2012, the underlying funds that are currently restricted from redemptions within one year will become redeemable in approximately 12 to 24 months. This category also includes a consolidated offshore feeder fund that invests in a master fund with multiple alternative investment strategies. The fair value of this investment has been estimated using the NAV of the master offshore fund held by the feeder fund. The investment is currently subject to restrictions in place by the underlying master fund.

(c) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. It was estimated that the investments in the funds that are not subject to redemption will be liquidated over a weighted-average period of approximately three and five years at December 31, 2013 and 2012, respectively.

(d) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It was estimated that the investments in these funds will be liquidated over a weighted-average period of approximately five years at both December 31, 2013 and 2012.

(e) This category includes several real estate funds that invest directly in real estate and real estate related assets. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. A majority of the Company's investments are not subject to redemption or are not currently redeemable and is normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It is estimated that the investments in these funds not subject to redemptions will be liquidated over a weighted-average period of approximately seven years at December 31, 2013 and eight years at December 31, 2012.

(f) This category includes investments in several real estate funds and certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments in this category have been estimated using capital accounts representing the Company's ownership interest in partners' capital as well as performance inputs. The investments in hedge funds will be redeemed upon settlement of certain deferred compensation liabilities. The real estate investments are not subject to redemption; however, distributions as a result of the liquidation of the underlying assets will be used to settle certain deferred compensation liabilities over time.

(g) This category includes the underlying third-party private equity funds within one consolidated BlackRock sponsored private equity fund of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying third-party funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds will be liquidated over a weighted-average period of approximately two years at December 31, 2013 and three years at December 31, 2012. Total remaining unfunded commitments to other third-party funds were not material at both December 31, 2013 and 2012, which commitments are required to be funded by capital contributions from noncontrolling interest holders.

(h) This category includes consolidated offshore feeder funds that invest in master funds with multiple equity strategies to diversify risks. The fair values of the investments in this category have been estimated using the NAV of master offshore funds held by the feeder funds. Investments in this category generally can be redeemed at any time, as long as there are no restrictions in place by the underlying master funds.

Fair Value Option. Upon the initial consolidation of certain CLOs, the Company elected to adopt the fair value option provisions for eligible assets and liabilities, including bank loans and borrowings of the CLOs to mitigate accounting mismatches between the carrying value of the assets and liabilities and to achieve operational simplification. To the extent there is a difference between the change in fair value of the assets and liabilities, the difference will be reflected as net income (loss) attributable to nonredeemable noncontrolling interests on the consolidated statements of income and offset by a change in appropriated retained earnings on the consolidated statements of financial condition.

The following table summarizes information related to those assets and liabilities selected for fair value accounting at December 31, 2013 and 2012:

(in millions)	December 31, 2013	December 31, 2012
CLO Bank Loans:		
Aggregate principal amounts outstanding	**$ 2,181**	$ 2,124
Fair value	**2,176**	2,110
Aggregate unpaid principal balance in excess of (less than) fair value	**$ 5**	$ 14
Unpaid principal balance of loans more than 90 days past due	**$ 14**	$ 4
Aggregate fair value of loans more than 90 days past due	**9**	—
Aggregate unpaid principal balance in excess of fair value for loans more than 90 days past due	**$ 5**	$ 4
CLO Borrowings:		
Aggregate principal amounts outstanding	**$ 2,455**	$ 2,535
Fair value	**$ 2,369**	$ 2,402

At December 31, 2013, the principal amounts outstanding of the borrowings issued by the CLOs mature between 2016 and 2025.

During 2013, 2012 and 2011, the change in fair value of the bank loans and bonds held by the CLOs resulted in a $153 million, a $154 million and a $57 million gain, respectively, which were offset by a $117 million, a $166 million and a $68 million loss, respectively, from the change in fair value of the CLO borrowings.

The net gains (losses) were recorded in net gain (loss) on consolidated VIEs on the consolidated statements of income.

The change in fair value of the assets and liabilities included interest income and expense, respectively.

6. Variable Interest Entities

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including collateralized debt obligations ("CDOs")/CLOs and sponsored investment funds, which may be considered VIEs. The Company receives advisory fees and/or other incentive-related fees for its services and may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company enters into these variable interests principally to address client needs through the launch of such investment vehicles. The VIEs are primarily financed via capital contributed by equity and debt holders. The Company's involvement in financing the operations of the VIEs is generally limited to its equity interests.

In order to determine whether the Company is the PB of a VIE, management must make significant estimates and assumptions of probable future cash flows of the VIEs. Assumptions made in such analyses may include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, prepayments, realization of gains, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes. See Note 2, *Significant Accounting Policies*, for more information.

Consolidated VIEs. Consolidated VIEs included CLOs in which BlackRock did not have an investment; however, BlackRock, as the collateral manager, was deemed to have both the power to control the activities of the CLOs and the right to receive benefits that could potentially be significant to the CLOs. In addition, BlackRock was the PB of one investment fund because it absorbed the majority of the variability due to its de-facto related-party relationships with other partners in the fund. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company. At December 31, 2013 and 2012, the following balances related to VIEs were consolidated on the consolidated statements of financial condition:

(in millions)	December 31, 2013	December 31, 2012
Assets of consolidated VIEs:		
Cash and cash equivalents	**$ 161**	$ 297
Bank loans	**2,176**	2,110
Bonds	**106**	124
Other investments and other assets	**43**	30
Total bank loans, bonds, other investments and other assets	**2,325**	2,264
Liabilities of consolidated VIEs:		
Borrowings	**(2,369)**	(2,402)
Other liabilities	**(74)**	(103)
Appropriated retained earnings	**(22)**	(29)
Noncontrolling interests of consolidated VIEs	**(21)**	(27)
Total BlackRock net interests in consolidated VIEs	**$ —**	$ —

During 2013, the Company did not record any nonoperating net income (loss) on consolidated VIEs on the consolidated statements of income. During 2012, the Company recorded a $38 million nonoperating net loss on consolidated VIEs offset by a $38 million net loss attributable to nonredeemable noncontrolling interests on the consolidated statements of income. During 2011, the Company recorded an $18 million nonoperating net loss on consolidated VIEs offset by an $18 million net loss attributable to nonredeemable noncontrolling interests on the consolidated statements of income.

At December 31, 2013 and 2012, the weighted-average maturity of the bank loans and bonds was approximately 4.7 years and 4.5 years, respectively.

Non-Consolidated VIEs. At December 31, 2013 and 2012, the Company's carrying value of assets and liabilities and its maximum risk of loss related to VIEs for which it was the sponsor or in which it held a variable interest, but for which it was not the PB, was as follows:

(in millions)	Variable Interests on the Consolidated Statement of Financial Condition			
At December 31, 2013	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss(1)**
CDOs/CLOs	**$ —**	**$ 1**	**$ (4)**	**$ 18**
Other sponsored investment funds:				
Collective trusts	**—**	**184**	**—**	**184**
Other	**37**	**137**	**(6)**	**174**
Total	**$ 37**	**$ 322**	**$ (10)**	**$ 376**

(in millions)	Variable Interests on the Consolidated Statement of Financial Condition			
At December 31, 2012	**Investments**	**Advisory Fee Receivables**	**Other Net Assets (Liabilities)**	**Maximum Risk of Loss(1)**
CDOs/CLOs	$ 1	$ 1	$ (5)	$ 19
Other sponsored investment funds:				
Collective trusts	—	248	—	248
Other	17	61	(3)	77
Total	$ 18	$ 310	$ (8)	$ 344

(1) At both December 31, 2013 and 2012, BlackRock's maximum risk of loss associated with these VIEs primarily related to: (i) advisory fee receivables; (ii) BlackRock's investments; and (iii) $17 million of credit protection sold by BlackRock to a third party in a synthetic CDO transaction.

The net assets related to the above CDOs/CLOs and other sponsored investment funds, including collective trusts, that the Company does not consolidate were as follows:

CDOs/CLOs

(in billions)	December 31, 2013	December 31, 2012
Assets at fair value	**$ 1**	$ 4
Liabilities(1)	**2**	5
Net assets	**$ (1)**	$ (1)

(1) Amounts primarily comprised of unpaid principal debt obligations to CDO/CLO debt holders.

The net assets of other sponsored investment funds that are nonconsolidated VIEs approximated $1.6 trillion to $1.7 trillion at December 31, 2013 and $1.5 trillion to $1.6 trillion at December 31, 2012. Net assets included $1.4 trillion of collective trusts at December 31, 2013 and $1.3 trillion of collective trusts at December 31, 2012. Each collective trust has been aggregated separately and may include collective trusts that invest in other collective trusts. The net assets of these VIEs primarily are comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

7. Derivatives and Hedging

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At December 31, 2013, the Company had outstanding total return swaps and interest rate swaps with an aggregate notional value of approximately $117 million and $71 million, respectively. At December 31, 2012, the Company had outstanding total return swaps with an aggregate notional value of approximately $206 million.

The Company has entered into a credit default swap, providing credit protection to a counterparty of approximately $17 million, representing the Company's maximum risk of loss with respect to the provision of credit protection. The Company carries the credit default swap at fair value based on the expected future cash flows under the arrangement.

The fair values of the outstanding total return swaps, interest rate swaps and the credit default swap were not material to the consolidated statements of financial condition at December 31, 2013 and 2012.

The Company executes forward foreign currency exchange contracts to mitigate the risk of foreign exchange risk movements. At December 31, 2013, the Company had outstanding forward foreign currency exchange contracts with an aggregate notional value of approximately $792 million and a fair value of approximately $26 million. At December 31, 2012, the aggregate notional value of outstanding forward foreign currency exchange contracts was approximately $79 million and the fair value was immaterial.

Gains (losses) on total return swaps are recorded in nonoperating income (expense) on the consolidated statements of income and were $(15) million, $(23) million and $4 million for 2013, 2012 and 2011, respectively.

Gains (losses) on forward foreign currency exchange contracts are recorded in other general and administration expense on the consolidated statement of income and were $(26) million for 2013. Gains (losses) on forward foreign currency exchange contracts were not material to the consolidated statements of income for 2012 and 2011.

Gains (losses) on the interest rate swaps and the credit default swap were not material to the consolidated statements of income for 2013, 2012 and 2011.

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The fair value of such derivatives at December 31, 2013 and 2012 was not material. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for 2013, 2012 and 2011.

In May 2011, the Company entered into a designated cash flow hedge consisting of a $750 million interest rate swap to hedge future cash flows on the Company's floating rate notes due in 2013. Interest on this swap was at a fixed rate of 1.03%, payable semi-annually on May 24 and November 24 of each year. During 2013, the interest rate swap matured and the floating rate notes were fully repaid. Gains (losses) on the interest rate swap were not material to the consolidated statements of income for 2013, 2012 and 2011.

8. Property and Equipment

Property and equipment consists of the following:

(in millions)	Estimated useful life-in years	December 31, 2013	December 31, 2012
Property and equipment:			
Land	N/A	**$ 4**	$ 4
Building	39	**17**	17
Building improvements	15	**14**	13
Leasehold improvements	1-15	**501**	482
Equipment and computer software	3	**451**	465
Other transportation equipment	10	**56**	56
Furniture and fixtures	7	**93**	92
Total		**1,136**	1,129
Less: accumulated depreciation and amortization		**611**	572
Property and equipment, net		**$ 525**	$ 557

N/A – Not Applicable

Qualifying software costs of approximately $35 million, $36 million and $37 million have been capitalized within equipment and computer software during 2013, 2012 and 2011, respectively, and are being amortized over an estimated useful life of three years.

Depreciation and amortization expense was $128 million, $129 million and $138 million for 2013, 2012 and 2011, respectively.

9. Goodwill

Goodwill activity during 2013 and 2012 was as follows:

(in millions)	2013	2012
Beginning of year balance	**$ 12,910**	$ 12,792
Acquisitions(1)	**73**	131
Goodwill adjustments related to Quellos and other (2)	**(3)**	(13)
End of year balance	**$ 12,980**	$ 12,910

(1) The 2013 amount primarily represents $29 million of goodwill from the Company's acquisition of MGPA, an independently managed private equity real estate investment advisory company primarily in Asia and Europe, on October 4, 2013 for approximately $66 million (the "MGPA Transaction") and $44 million of goodwill from the Company's acquisition of Credit Suisse's ETF franchise on July 1, 2013 for approximately $273 million (the "Credit Suisse ETF Transaction"). The amount for 2012 represents $106 million of goodwill from the Company's acquisition of the Canadian exchange-traded products ("ETP") provider, Claymore Investments, Inc. (the "Claymore Transaction") on March 7, 2012 for approximately $212 million and $25 million of goodwill from the Company's acquisition of the European private equity and infrastructure funds of funds franchise of Swiss Re Private Equity Partners (the "SRPEP Transaction") on September 4, 2012.

(2) The decrease in goodwill during both 2013 and 2012 primarily resulted from a decline of approximately $20 million related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the "Quellos Transaction"). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $293 million and $324 million at December 31, 2013 and 2012, respectively. In 2012, the decrease in Quellos goodwill was partially offset by a $10 million increase related to the release of the remaining common shares held in escrow in connection with the Quellos Transaction.

The impairment tests performed for goodwill as of July 31, 2013, 2012 and 2011 indicated that no impairment charges were required. The Company continuously monitors its book value per share as compared with closing prices of its common stock for potential indicators of impairment. At December 31, 2013, the Company's common stock closed trading at a price of $316.47 per share, which exceeded its book value per share of approximately $156.69 excluding appropriated retained earnings.

10. Intangible Assets

Intangible assets at December 31, 2013 and 2012 consisted of the following:

(in millions)	Remaining Weighted-Average Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
At December 31, 2013				
Indefinite-lived intangible assets:				
Management contracts	**N/A**	**$ 15,582**	**$ —**	**$ 15,582**
Trade names / trademarks	**N/A**	**1,403**	**—**	**1,403**
License	**N/A**	**6**	**—**	**6**
Total indefinite-lived intangible assets		**16,991**	**—**	**16,991**
Finite-lived intangible assets:				
Management contracts	**4.3**	**1,561**	**1,054**	**507**
Intellectual property	**4.6**	**6**	**3**	**3**
Total finite-lived intangible assets	**4.3**	**1,567**	**1,057**	**510**
Total intangible assets		**$ 18,558**	**$ 1,057**	**$ 17,501**
At December 31, 2012				
Indefinite-lived intangible assets:				
Management contracts	N/A	$ 15,351	$ —	$ 15,351
Trade names / trademarks	N/A	1,403	—	1,403
License	N/A	6	—	6
Total indefinite-lived intangible assets		16,760	—	16,760
Finite-lived intangible assets:				
Management contracts	4.9	1,535	896	639
Intellectual property	5.6	6	3	3
Total finite-lived intangible assets	4.9	1,541	899	642
Total intangible assets		$ 18,301	$ 899	$ 17,402

N/A — Not Applicable

The impairment tests performed for intangible assets as of July 31, 2013, 2012 and 2011 indicated no impairment charges were required.

Estimated amortization expense for finite-lived intangible assets for each of the five succeeding years is as follows:

(in millions)

Year	Amount
2014	$ 156
2015	126
2016	91
2017	74
2018	24

Indefinite-Lived Acquired Management Contracts

In July 2013, in connection with the Credit Suisse ETF Transaction, the Company acquired $231 million of indefinite-lived management contracts.

In March 2012, in connection with the Claymore Transaction, the Company acquired $163 million of indefinite-lived ETP management contracts.

Finite-Lived Acquired Management Contracts

In October 2013, in connection with the MGPA Transaction, the Company acquired $29 million of finite-lived management contracts with a weighted-average estimated useful life of approximately eight years.

In September 2012, in connection with the SRPEP Transaction, the Company acquired $40 million of finite-lived management contracts with a weighted-average estimated useful life of approximately 10 years.

11. Other Assets

At March 31, 2013, BlackRock held an approximately one-third economic equity interest in Private National Mortgage Acceptance Company, LLC ("PNMAC"), which is accounted for as an equity method investment and is included in other assets on the consolidated statements of financial condition. On May 8, 2013, PennyMac became the sole managing member of PNMAC in connection with an initial public offering of PennyMac (the "PennyMac IPO"). As a result of the PennyMac IPO, BlackRock recorded a noncash, nonoperating pre-tax gain of $39 million related to the carrying value of its equity method investment.

Subsequent to the PennyMac IPO, the Company contributed 6.1 million units of its investment to a new donor advised fund (the "Charitable Contribution"). The fair value of the Charitable Contribution was $124 million and is included in general and administration expenses on the consolidated statements of income. In connection with the Charitable Contribution, the Company also recorded a noncash, nonoperating pre-tax gain of $80 million related to the contributed investment and a tax benefit of approximately $48 million.

The carrying value and fair value of the Company's remaining interest (approximately 20% or 16 million shares and units) was approximately $127 million and $273 million, respectively, at December 31, 2013. The fair value of the Company's interest reflected the PennyMac stock price at December 31, 2013 (Level 1 input).

12. Borrowings

Short-Term Borrowings

The carrying value of short-term borrowings at December 31, 2012 included $100 million under the 2012 revolving credit facility.

2013 Revolving Credit Facility. In March 2011, the Company entered into a five-year $3.5 billion unsecured revolving credit facility (the "2011 credit facility"). In March 2012, the 2011 credit facility was amended to extend the maturity date by one year to March 2017 and in April 2012 the amount of the aggregate commitment was increased to $3.785 billion (the "2012 credit facility"). In March 2013, the Company's credit facility was amended to extend the maturity date by one year to March 2018 and the amount of the aggregate commitment was increased to $3.990 billion (the "2013 credit facility"). The 2013 credit facility permits the Company to request up to an additional $1.0 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2013 credit facility to an aggregate principal amount not to exceed $4.990 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2013 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at December 31, 2013. The 2013 credit facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At December 31, 2013, the Company had no amount outstanding under the 2013 credit facility.

Commercial Paper Program. On October 14, 2009, BlackRock established a commercial paper program (the "CP Program") under which the Company could issue unsecured commercial paper notes (the "CP Notes") on a private placement basis up to a maximum aggregate amount outstanding at any time of $3.0 billion. On May 13, 2011, BlackRock increased the maximum aggregate amount that may be borrowed under the CP Program to $3.5 billion. On May 17, 2012, BlackRock increased the maximum aggregate amount to $3.785 billion. In April 2013, BlackRock increased the maximum aggregate amount for which the Company could issue unsecured CP Notes on a private-placement basis up to a maximum aggregate amount outstanding at any time of $3.990 billion. The commercial paper program is currently supported by the 2013 credit facility. At December 31, 2013 and 2012, BlackRock had no CP Notes outstanding.

Long-Term Borrowings

The carrying value and fair value of long-term borrowings estimated using market prices at December 31, 2013 included the following:

(in millions)	Maturity Amount	Unamortized Discount	Carrying Value	Fair Value
3.50% Notes due 2014	$ 1,000	$ —	$ 1,000	$ 1,029
1.375% Notes due 2015	750	—	750	759
6.25% Notes due 2017	700	(2)	698	812
5.00% Notes due 2019	1,000	(2)	998	1,140
4.25% Notes due 2021	750	(3)	747	799
3.375% Notes due 2022	750	(4)	746	745
Total Long-term Borrowings	$ 4,950	$ (11)	$ 4,939	$ 5,284

Long-term borrowings at December 31, 2012 had a carrying value of $5.687 billion and a fair value of $6.275 billion determined using market prices at the end of December 2012.

2015 and 2022 Notes. In May 2012, the Company issued $1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including $750 million of 1.375% notes maturing in June 2015 (the "2015 Notes") and $750 million of 3.375% notes maturing in June 2022 (the "2022 Notes"). Net proceeds were used to fund the repurchase of BlackRock's common stock and Series B Preferred from Barclays and affiliates and for general corporate purposes. Interest on the 2015 Notes and the 2022 Notes of approximately $10 million and $25 million per year, respectively, is payable semi-annually on June 1 and December 1 of each year, which commenced December 1, 2012. The 2015 Notes and 2022 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The "make-whole" redemption price represents a price, subject to the specific terms of the 2015 and 2022 Notes and related indenture, that is the greater of (a) par value and (b) the present value of future payments that will not be paid because of an early redemption, which is discounted at a fixed spread over a comparable Treasury security. The 2015 Notes and 2022 Notes were issued at a discount of $5 million that is being amortized over the term of the notes. The Company incurred approximately $7 million of debt issuance costs, which are being amortized over the respective terms of the 2015 Notes and 2022 Notes. At December 31, 2013, $5 million of unamortized debt issuance costs was included in other assets on the consolidated statement of financial condition.

2013 and 2021 Notes. In May 2011, the Company issued $1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities including $750 million of 4.25% notes maturing in May 2021 and $750 million of floating rate notes ("2013 Floating Rate Notes"), which were repaid in May 2013 at maturity. Net proceeds of this offering were used to fund the repurchase of BlackRock's Series B Preferred from affiliates of Merrill Lynch & Co., Inc. ("Merrill Lynch"). Interest on the 4.25% notes due in 2021 ("2021 Notes") is payable semi-annually on May 24 and November 24 of each year, which commenced November 24, 2011, and is approximately $32 million per year. The 2021 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The 2021 Notes were issued at a discount of $4 million that is being amortized over the term of the notes. The Company incurred approximately $7 million of debt issuance costs for the $1.5 billion note issuances, which are being amortized over the respective terms of the notes. At December 31, 2013, $3 million of unamortized debt issuance costs was included in other assets on the consolidated statement of financial condition.

In May 2011, in conjunction with the issuance of the 2013 Floating Rate Notes, the Company entered into a $750 million notional interest rate swap maturing in 2013 to hedge the future cash flows of its obligation at a fixed rate of 1.03%. During the second quarter of 2013, the interest rate swap matured and the 2013 Floating Rate Notes were fully repaid.

2012, 2014 and 2019 Notes. In December 2009, the Company issued $2.5 billion in aggregate principal amount of unsecured and unsubordinated obligations. These notes were issued as three separate series of senior debt securities including $0.5 billion of 2.25% notes, which were repaid in December 2012, $1.0 billion of 3.50% notes and $1.0 billion of 5.0% notes maturing in December 2014 and 2019, respectively. Net proceeds of this offering were used to repay borrowings under the CP Program, which was used to finance a portion of the acquisition of Barclays Global Investors ("BGI") from Barclays on December 1, 2009 (the "BGI Transaction"), and for general corporate purposes. Interest on the 2014 Notes and 2019 Notes of approximately $35 million and $50 million per year, respectively, is payable semi-annually in arrears on June 10 and December 10 of each year. These notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. These notes were issued collectively at a discount of $5 million, which is being amortized over the respective terms of the notes. The Company incurred approximately $13 million of debt issuance costs, which are being amortized over the respective terms of these notes. At December 31, 2013, $4 million of unamortized debt issuance costs was included in other assets on the consolidated statement of financial condition.

2017 Notes. In September 2007, the Company issued $700 million in aggregate principal amount of 6.25% senior unsecured and unsubordinated notes maturing on September 15, 2017 (the "2017 Notes"). A portion of the net proceeds of the 2017 Notes was used to fund the initial cash payment for the acquisition of the fund of funds business of Quellos and the remainder was used for general corporate purposes. Interest is payable semi-annually in arrears on March 15 and September 15 of each year, or approximately $44 million per year. The 2017 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a “make-whole” redemption price. The 2017 Notes were issued at a discount of $6 million, which is being amortized over their ten-year term. The Company incurred approximately $4 million of debt issuance costs, which are being amortized over ten years. At December 31, 2013, $2 million of unamortized debt issuance costs was included in other assets on the consolidated statement of financial condition.

13. Commitments and Contingencies

Operating Lease Commitments

The Company leases its primary office spaces under agreements that expire through 2035. Future minimum commitments under these operating leases are as follows:

(in millions)

Year	Amount
2014	$ 135
2015	127
2016	110
2017	109
2018	106
Thereafter	699
Total	$ 1,286

Rent expense and certain office equipment expense under agreements amounted to $137 million, $133 million and $154 million in 2013, 2012 and 2011, respectively.

Investment Commitments*.* At December 31, 2013, the Company had $216 million of various capital commitments to fund sponsored investment funds, including funds of private equity funds, real estate funds, infrastructure funds, opportunistic funds and distressed credit funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company, but which are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

Contingencies

Contingent Payments. The Company acts as the portfolio manager in a series of credit default swap transactions and has a maximum potential exposure of $17 million under a credit default swap between the Company and counterparty. See Note 7, *Derivatives and Hedging*, for further discussion.

Contingent Payments Related to Business Acquisitions. In connection with the Credit Suisse ETF Transaction, BlackRock is required to make contingent payments annually to Credit Suisse, subject to achieving specified thresholds during a seven-year period, subsequent to the acquisition date. In addition, BlackRock is required to make contingent payments related to the MGPA Transaction during a five-year period, subject to achieving specified thresholds, subsequent to the acquisition date. The fair value of the contingent payments at December 31, 2013 is not significant to the consolidated statement of financial condition and is included in other liabilities.

Legal Proceedings. From time to time, BlackRock receives subpoenas or other requests for information from various U.S. federal, state governmental and domestic and international regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is BlackRock’s policy to cooperate fully with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock’s activities. Additionally, certain BlackRock-sponsored investment funds that the Company manages are subject to lawsuits, any of which potentially could harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability, if any, arising out of regulatory matters or lawsuits will have a material effect on BlackRock’s results of operations, financial position, or cash flows. However, there is no assurance as to whether any such pending or threatened matters will have a material effect on BlackRock’s results of operations, financial position or cash flows in any future reporting period. Due to uncertainties surrounding the outcome of these matters, management cannot reasonably estimate the possible loss or range of loss that may arise from these matters.

Indemnifications. In the ordinary course of business or in connection with certain acquisition agreements, BlackRock enters into contracts pursuant to which it may agree to indemnify third parties in certain circumstances. The terms of these indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined or the likelihood of any liability is considered remote. Consequently, no liability has been recorded on the consolidated statement of financial condition.

In connection with securities lending transactions, BlackRock has issued certain indemnifications to certain securities lending clients against potential loss resulting from a borrower’s failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower’s obligation under the securities lending agreement. At December 31, 2013, the Company indemnified certain of its clients for their securities lending loan balances of approximately $118.3 billion. The Company held as agent, cash and securities totaling $124.6 billion as collateral for indemnified securities on loan at December 31, 2013. The fair value of these indemnifications was not material at December 31, 2013.

14. Stock-Based Compensation

The components of stock-based compensation expense are as follows:

	Year ended December 31,		
(in millions)	2013	2012	2011
Stock-based compensation:			
Restricted stock and RSUs	**$ 415**	$ 429	$ 444
Market performance-based RSUs to be funded by PNC	**33**	15	—
Long-term incentive plans to be funded by PNC	**—**	7	44
Stock options	**—**	—	9
Total stock-based compensation	**$ 448**	$ 451	$ 497

Stock Award and Incentive Plan. Pursuant to the BlackRock, Inc. 1999 Stock Award and Incentive Plan (the "Award Plan"), options to purchase shares of the Company's common stock at an exercise price not less than the market value of BlackRock's common stock on the date of grant in the form of stock options, restricted stock or RSUs may be granted to employees and non-employee directors. A maximum of 27,000,000 shares of common stock were authorized for issuance under the Award Plan. Of this amount, 3,304,834 shares remain available for future awards at December 31, 2013. Upon exercise of employee stock options, the issuance of restricted stock or the vesting of RSUs, the Company issues shares out of treasury to the extent available.

Restricted Stock and RSUs. Pursuant to the Award Plan, restricted stock grants and RSUs may be granted to certain employees. Substantially all restricted stock and RSUs vest over periods ranging from one to four years and are expensed using the straight-line method over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Prior to 2009, the Company awarded restricted stock and RSUs with nonforfeitable dividend equivalent rights. Restricted stock and RSUs awarded beginning in 2009 are not considered participating securities for purposes of calculating EPS as the dividend equivalents are subject to forfeiture prior to vesting of the award.

Restricted stock and RSU activity for 2013 is summarized below:

Outstanding at	Restricted Stock and Units	Weighted Average Grant Date Fair Value
December 31, 2012	5,620,835	$ 197.90
Granted	1,660,532	$ 234.75
Converted	(2,588,637)	$ 204.09
Forfeited	(79,917)	$ 204.12
December 31, 2013(1)	**4,612,813**	**$ 207.94**

(1) At December 31, 2013, approximately 4.4 million awards are expected to vest and 0.2 million awards have vested but have not been converted.

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total fair market value of RSUs granted to employees during 2013, 2012 and 2011 was $390 million, $348 million and $477 million, respectively. The total fair market value of RSUs converted to common stock during 2013, 2012 and 2011 was $528 million, $297 million and $553 million, respectively.

At December 31, 2013, the intrinsic value of outstanding RSUs was $1.5 billion, reflecting a closing stock price of $316.47 at December 31, 2013.

The awards granted under the Award Plan primarily related to the following:

<u>2011</u>

- 1,594,259 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 609,733 RSUs to employees that cliff vest 100% on January 31, 2014.

<u>2012</u>

- 1,365,691 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 418,038 RSUs to employees that cliff vest 100% on January 31, 2015.

<u>2013</u>

- 1,172,381 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 370,812 RSUs to employees that cliff vest 100% on January 31, 2016.

At December 31, 2013, there was $250 million in total unrecognized stock-based compensation expense related to unvested RSUs. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 0.7 years.

<u>2014</u>

In January 2014, the Company granted the following awards under the Award Plan:

- 1,022,295 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 287,963 RSUs to employees that cliff vest 100% on January 31, 2017.

Market Performance-based RSUs. Pursuant to the Award Plan, market performance-based RSUs may be granted to certain employees. The market performance-based RSUs require that separate 15%, 25% and 35% share price appreciation targets be achieved during the six-year term of the awards. The awards are split into three tranches and each tranche may vest if the specified target increase in share price is met. Eligible delivery dates for each tranche are the fourth, fifth or sixth anniversaries of the grant date. Certain awards are forfeited if the employee leaves BlackRock before the vesting date. These awards are amortized over a service period of four years, which is the longer of the explicit service period or the period in which the market target is expected to be met. Market performance-based RSUs are not considered participating securities as the dividend equivalents are subject to forfeiture prior to vesting of the award. In 2013, the Company granted market performance-based RSUs, which will be funded primarily by shares currently held by PNC (see *Long-Term Incentive Plans Funded by PNC* below).

Market performance-based RSU activity for 2013 is summarized below:

Outstanding at	Market Performance-Based RSUs	Weighted Average Grant Date Fair Value
December 31, 2012	575,532	$ 115.03
Granted	556,581	$ 126.76
December 31, 2013(1)	**1,132,113**	**$ 120.80**

(1) At December 31, 2013, approximately 1.1 million awards are expected to vest and no awards have vested and have been converted.

At December 31, 2013, total unrecognized stock-based compensation expense related to unvested market performance-based awards was $88 million. The unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 2.6 years.

The grant-date fair value of the awards was $71 million in both 2013 and 2012. The fair value was calculated using a Monte Carlo simulation with the following assumptions:

Grant Year	Risk-Free Interest Rate	Performance Period	Expected Stock Volatility	Expected Dividend Yield
2012	1.21%	6	33.63%	2.99%
2013	**1.05%**	**6**	**25.85%**	**2.89%**

The Company's expected stock volatility assumption was based upon an average of the historical stock price fluctuations of BlackRock's common stock and an implied volatility at the grant date. The dividend yield assumption was derived using estimated dividends over the expected term and the stock price at the date of grant. The risk-free interest rate is based on the U.S. Treasury yield at date of grant.

In January 2014, the Company granted 315,961 market performance-based RSUs under the Award Plan.

Long-Term Incentive Plans Funded by PNC. Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans ("LTIP"). The current share surrender agreement commits PNC to provide BlackRock series C nonvoting participating preferred stock to fund the remaining committed shares. As of December 31, 2012, 2.5 million shares had been surrendered by PNC. In January 2013, 0.2 million additional shares were surrendered.

At December 31, 2013, the remaining shares committed by PNC of 1.3 million were available to fund future long-term incentive awards.

Stock Options. Stock option grants were made to certain employees pursuant to the Award Plan in 1999 through 2007. Options granted have a ten-year life, vested ratably over periods ranging from two to five years and became exercisable upon vesting. The Company has not granted any stock options subsequent to the January 2007 grant, which vested on September 29, 2011. Stock option activity for 2013 is summarized below:

Outstanding at	Shares under option	Weighted average exercise price
December 31, 2012	1,099,909	$ 167.76
Exercised	(168,151)	$ 167.76
December 31, 2013(1)	**931,758**	**$ 167.76**

(1) At December 31, 2013, all options were vested. The aggregate intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was $19 million, $157 million and $13 million, respectively.

Stock options outstanding and exercisable at December 31, 2013 were as follows:

	Options Outstanding and Exercisable			
Exercise Prices	Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Aggregate Intrinsic Value of Exercisable Shares *(in millions)*
$ 167.76	**931,758**	**3.09**	**$ 167.76**	**$ 139**

As of December 31, 2013, the Company had no remaining unrecognized stock-based compensation expense related to unvested stock options.

Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible employees to purchase the Company's common stock at 95% of the fair market value on the last day of each three-month offering period. In accordance with ASC 718-10, *Compensation–Stock Compensation,* the Company does not record compensation expense related to employees purchasing shares under the ESPP.

15. Employee Benefit Plans

Deferred Compensation Plans

Voluntary Deferred Compensation Plan. The Company adopted a Voluntary Deferred Compensation Plan ("VDCP") that allows participants to elect to defer between 1% and 100% of their annual cash incentive compensation. The participants must specify a deferral period of up to 10 years from the year of deferral. The Company funds the obligation through the establishment of a rabbi trust on behalf of the plan's participants.

The rabbi trust established for the VDCP, with assets totaling $65 million and $59 million December 31, 2013 and 2012, respectively, is reflected in investments on the consolidated statements of financial condition. Such investments are classified as trading and other investments. The corresponding liability balance of $64 million and $60 million at December 31, 2013 and 2012, respectively, is reflected on the consolidated statements of financial condition as accrued compensation and benefits. Earnings in the rabbi trust, including unrealized appreciation or depreciation, are reflected as nonoperating income (expense) and changes in the corresponding liability are reflected as employee compensation and benefits expense on the consolidated statements of income.

Other Deferred Compensation Plans. The Company has additional compensation plans for the purpose of providing deferred compensation and retention incentives to certain employees. For these plans, the final value of the deferred amount to be distributed in cash upon vesting is associated with investment returns of certain investment funds. The liabilities for these plans were $100 million and $77 million at December 31, 2013 and 2012, respectively, and are reflected in the consolidated statements of financial condition as accrued compensation and benefits. In January 2014, the Company granted approximately $100 million of additional deferred compensation that will fluctuate with investment returns and will vest ratably over three years from the date of grant.

Defined Contribution Plans

BlackRock Retirement Savings Plan. Certain of the Company's employees participate in the BlackRock Retirement Savings Plan ("BRSP"). Employee contributions of up to 8% of eligible compensation, as defined by the plan and subject to Internal Revenue Code ("IRC") limitations, are matched by the Company at 50%. In addition, the Company will continue to make an annual retirement contribution to eligible participants equal to 3-5% of eligible compensation. In 2013, 2012 and 2011, the Company's expense related to the BRSP was $63 million, $59 million and $43 million, respectively.

BlackRock Group Personal Pension Plan. BlackRock Investment Management (UK) Limited ("BIM"), a wholly owned subsidiary of the Company, contributes to the BlackRock Group Personal Pension Plan, a defined contribution plan for all employees of BIM. BIM contributes between 6% and 15% of each employee's eligible compensation. In 2013, 2012 and 2011, the Company's expense related to this plan was $29 million, $27 million and $26 million, respectively.

Defined Benefit Plans. The Company has several defined benefit pension plans in Japan and Germany. All accrued benefits under the Germany defined benefit plan are currently frozen and the plan is closed to new participants. The participant benefits under the Germany plan will not change with salary increases or additional years of service. At December 31, 2013 and 2012, the plan assets for these plans were approximately $22 million and $21 million, respectively. The overfunded obligations at December 31, 2013 and the underfunded obligation at December 31, 2012 were not material. Benefit payments for the next five years and in aggregate for the five years thereafter are not expected to be material.

The plan assets for the defined benefit plan in Japan (the "Japan Plan") are invested using a total return investment approach whereby a mix of equity securities, debt securities and other investments are used to preserve asset values, diversify risk and achieve the target investment return benchmark. Investment strategies and asset allocations are based on consideration of plan liabilities and the funded status of the plan. Investment performance and asset allocation are measured and monitored on an ongoing basis. The current target allocations for the plan assets are 22% for U.S. and international equity securities, 76% for U.S. and international fixed income securities and 2% for other. The table below provides the fair value of the plan assets of the Japan Plan at December 31, 2013 and 2012 by asset category and identifies the level of inputs used to determine the fair value of assets in each category.

(in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
At December 31, 2013			
Equity securities	**$ 6**	**—**	**$ 6**
Fixed income securities	**—**	**13**	**13**
Fair value of plan assets	**$ 6**	**$ 13**	**$ 19**
At December 31, 2012			
Equity securities	$ 9	—	$ 9
Fixed income securities	—	9	9
Fair value of plan assets	$ 9	$ 9	$ 18

Post-retirement Benefit Plans

The Company provides post-retirement medical benefits to a closed population of employees in the United Kingdom and the United States. The accumulated benefit obligation for each of these unfunded plans was immaterial at December 31, 2013 and 2012, and was included in accrued compensation and benefits on the consolidated statements of financial condition. For 2013, 2012 and 2011, expenses for these benefits were not material.

16. Related Party Transactions

Determination of Related Parties

PNC. The Company considers PNC, along with its affiliates, to be related parties based on the level of its ownership of BlackRock capital stock. At December 31, 2013, PNC owned approximately 20.9% of the Company's voting common stock and held approximately 21.9% of the total capital stock.

Registered Investment Companies and Equity Method Investments. The Company considers the registered investment companies that it manages, which include mutual funds and exchanged-traded funds, to be related parties as a result of the Company's advisory relationship. In addition, equity method investments are considered related parties in accordance with ASC 850-10, *Related Party Disclosures* ("ASC 850-10"), due to the Company's influence over the financial and operating policies of the investee.

Barclays. The Company considered Barclays, along with its affiliates, to be related parties in accordance with ASC 850-10, based on its level of capital stock ownership prior to the secondary offering in May 2012 by Barclays of shares of the Company's stock. At December 31, 2012, Barclays did not own any of the Company's capital stock and was no longer considered a related party.

Revenue from Related Parties

Revenues for services provided by the Company to these and other related parties are as follows:

(in millions)	Year ended December 31, 2013	2012	2011
Investment advisory, administration fees and securities lending revenue:			
PNC and affiliates	**$ 5**	$ 4	$ 4
Barclays and affiliates	**—**	5	14
Registered investment companies/equity method investees	**5,986**	5,283	5,282
Other	**—**	—	3
Total investment advisory, administration fees, and securities lending revenue	**5,991**	5,292	5,303
Investment advisory performance fees	**185**	120	54
BlackRock Solutions and advisory:			
PNC and affiliates	**7**	7	6
Equity method investees	**11**	13	15
Other	**5**	3	—
Total *BlackRock Solutions* and advisory	**23**	23	21
Other revenue:			
PNC and affiliates	**3**	3	3
Barclays and affiliates	**—**	11	35
Equity method investees	**58**	52	15
Total other revenue	**61**	66	53
Total revenue from related parties	**$ 6,260**	$ 5,501	$ 5,431

The Company provides investment advisory and administration services to its open- and closed-end funds and other commingled or pooled funds and separate accounts in which related parties invest. In addition, the Company provides investment advisory and administration services to Barclays and PNC and its affiliates for fees based on AUM. Further, the Company provides risk management services to PNC. The Company records its investment advisory and administration fees net of retrocessions.

Aggregate Expenses for Transactions with Related Parties

Aggregate expenses included in the consolidated statements of income for transactions with related parties are as follows:

(in millions)	Year ended December 31, 2013	2012	2011
Expenses with related parties:			
Distribution and servicing costs			
PNC and affiliates	**$ 2**	$ 3	$ 3
Barclays and affiliates	**—**	1	2
Total distribution and servicing costs	**2**	4	5
Direct fund expenses			
Barclays and affiliates	**—**	4	8
Total direct fund expenses	**—**	4	8
General and administration expenses			
Barclays and affiliates	**—**	5	15
Other registered investment companies	**50**	49	42
Other(1)	**—**	33	3
Total general and administration expenses	**50**	87	60
Total expenses with related parties	**$ 52**	$ 95	$ 73

(1) Amount in 2012 included a one-time pre-tax charge of $30 million related to a contribution to certain of the Company's bank managed short-term investment funds ("STIFs").

Certain Agreements and Arrangements with Barclays and PNC

PNC. On February 27, 2009, BlackRock entered into an amended and restated implementation and stockholder agreement with PNC, and a third amendment to the share surrender agreement with PNC. See Note 19, *Capital Stock*, for further discussion.

The changes contained in the amended and restated stockholder agreement with PNC, in relation to the prior agreement, among other things, (i) revised the definitions of "Fair Market Value," "Ownership Cap," "Ownership Percentage," "Ownership Threshold" and "Significant Stockholder"; and (ii) amended or supplemented certain other provisions therein to incorporate series B preferred stock and series C preferred stock, respectively.

The amendment to the share surrender agreement with PNC provided for the substitution of series C preferred stock for the shares of common stock subject to the share surrender agreement.

In June 2009, in connection with the BGI Transaction, certain additional amendments were made to the amended and restated stockholder agreement with PNC.

The amended and restated stockholder agreement with PNC was changed to, among other things, (i) revise the definitions of “Ownership Cap” and “Ownership Threshold,” (ii) amend or supplement certain other definitions and provisions therein to incorporate series D participating preferred stock, (iii) provide that none of the transfer restriction provisions set forth in the amended and restated stockholder agreement with PNC apply to the shares purchased by PNC as part of the financing for the BGI Transaction, (iv) amend the provision relating to the composition of BlackRock’s Board of Directors and (v) provide that the amended and restated stockholder agreement with PNC shall terminate upon the later of (A) the five year anniversary of the amended and restated stockholder agreement with PNC and (B) the first date on which PNC and its affiliates beneficially own less than 5% of the outstanding BlackRock capital stock, subject to certain other conditions specified therein.

Barclays. In connection with the completion of its acquisition of BGI, BlackRock entered into a Stockholder Agreement, dated as of December 1, 2009 (the “Barclays Stockholder Agreement”), with Barclays and Barclays BR Holdings S.à.r.l. (“BR Holdings”, and together with Barclays, the “Barclays Parties”). Pursuant to the terms of the Barclays Stockholder Agreement, the Barclays Parties agreed, among other things, to certain transfer and voting restrictions with respect to shares of BlackRock common stock and preferred stock owned by them and their affiliates, to limits on the ability of the Barclays Parties and their affiliates to acquire additional shares of BlackRock common stock and preferred stock and to certain other restrictions. The Barclays Stockholder Agreement was terminated on May 29, 2012.

In addition, Barclays and certain of its affiliates have been engaged by the Company to provide the use of certain indices for certain BlackRock investment funds and for a fee to provide indemnification to clients related to potential losses in connection with lending of client securities. For the five months ended May 31, 2012, and the full year ended December 31, 2011, fees incurred for these agreements were $9 million and $18 million, respectively, and were recorded within direct fund expenses and general and administration expenses.

Receivables and Payables with Related Parties. Due from related parties, which is included within other assets on the consolidated statements of financial condition was $74 million and $77 million at December 31, 2013 and 2012, respectively, and primarily represented receivables for investment advisory and administration services provided by BlackRock, and other receivables from certain investment products managed by BlackRock. Due from related parties at December 31, 2013 and 2012 included $60 million and $68 million, respectively, due from certain funds.

Accounts receivable at December 31, 2013 and 2012 included $745 million and $629 million, respectively, related to receivables from BlackRock mutual funds, including *iShares*, for investment advisory and administration services.

Due to related parties, which is included within other liabilities on the consolidated statements of financial condition, was $13 million and $14 million at December 31, 2013 and 2012, respectively, and primarily represented payables to certain investment products managed by BlackRock.

17. Net Capital Requirements

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers.

Banking Regulatory Requirements. BlackRock Institutional Trust Company, N.A. (“BTC”), a wholly owned subsidiary of the Company, is chartered as a national bank whose powers are limited to trust activities. BTC is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, BTC must meet specific capital guidelines that invoke quantitative measures of BTC’s assets, liabilities, and certain off-balance sheet items as calculated under the regulatory accounting practices. BTC’s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulators to ensure capital adequacy require BTC to maintain a minimum Tier 1 capital and Tier 1 leverage ratio, as well as Tier 1 and total risk-based capital ratios. Based on BTC’s calculations as of December 31, 2013 and 2012, it exceeded the applicable capital adequacy requirements.

(in millions)	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	To Be Well Capitalized Under Prompt Corrective Action Provisions Ratio
December 31, 2013						
Total capital (to risk weighted assets)	**$ 660**	**112.7%**	**$ 47**	**8.0%**	**$ 59**	**10.0%**
Tier 1 capital (to risk weighted assets)	**$ 660**	**112.7%**	**$ 23**	**4.0%**	**$ 35**	**6.0%**
Tier 1 capital (to average assets)	**$ 660**	**63.4%**	**$ 42**	**4.0%**	**$ 52**	**5.0%**
December 31, 2012						
Total capital (to risk weighted assets)	$ 633	99.1%	$ 51	8.0%	$ 64	10.0%
Tier 1 capital (to risk weighted assets)	$ 633	99.1%	$ 26	4.0%	$ 38	6.0%
Tier 1 capital (to average assets)	$ 633	49.7%	$ 51	4.0%	$ 64	5.0%

Broker-dealers. BlackRock Investments, LLC and BlackRock Execution Services are registered broker-dealers and wholly owned subsidiaries of BlackRock that are subject to the Uniform Net Capital requirements under the Securities Exchange Act of 1934, which requires maintenance of certain minimum net capital levels.

Capital Requirements. At December 31, 2013 and 2012, the Company was required to maintain approximately $1.1 billion and $1.2 billion, respectively, in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

18. Accumulated Other Comprehensive Income (Loss)

The following table presents changes in AOCI by component for 2013:

(in millions)	Unrealized gains (losses) on available-for-sale investments	Benefit plans	Foreign currency translation adjustments	Total(1)
December 31, 2012	$ 16	$ (4)	$ (71)	$ (59)
Other comprehensive income (loss) before reclassifications(2)	4	10	23	37
Amount reclassified from AOCI(3)	(13)	—	—	(13)
Net other comprehensive income (loss) for 2013	(9)	10	23	24
December 31, 2013	**$ 7**	**$ 6**	**$ (48)**	**$ (35)**

(1) All amounts are net of tax.

(2) The tax benefit (expense) was not material for 2013.

(3) The tax benefit (expense) was not material for 2013. The pre-tax amount reclassified from AOCI was included in net gain (loss) on investments on the consolidated statements of income.

19. Capital Stock

Capital Stock Authorized. BlackRock's authorized common stock, $0.01 par value, was 500,000,000 shares at December 31, 2013 and 2012. At December 31, 2013 and 2012, BlackRock had 20,000,000 series A nonvoting participating preferred shares ("Series A Preferred"), $0.01 par value, authorized. At December 31, 2013 and 2012, BlackRock had 150,000,000 series B nonvoting participating preferred shares ("Series B Preferred"), $0.01 par value, authorized. At December 31, 2013 and 2012, BlackRock had 6,000,000 series C nonvoting participating preferred shares ("Series C Preferred"), $0.01 par value, authorized. At December 31, 2013 and 2012, BlackRock had 20,000,000 series D nonvoting participating preferred shares ("Series D Preferred"), $0.01 par value, authorized.

May 2011 Barclays Sale and Conversion. In May 2011, 2,356,750 shares of Series B Preferred owned by Barclays were automatically converted to shares of common stock upon their disposition.

June 2011 Bank of America Stock Repurchase Agreement. On June 1, 2011, BlackRock completed its repurchase of Bank of America's remaining ownership interest of 13,562,878 Series B Preferred for $2.545 billion, or $187.65 per share.

September 2011 Institutional Investor Capital Exchange. In September 2011, an institutional investor exchanged 2,860,188 shares of Series B Preferred for common shares.

September 2011 PNC Capital Contribution. In September 2011, PNC surrendered to BlackRock approximately 1.3 million shares of BlackRock Series C Preferred to fund certain LTIP awards in accordance with the share surrender agreement between PNC and BlackRock.

May 2012 Barclays Sale and Capital Exchange. BlackRock completed the secondary offering of 26,211,335 shares of common stock held by Barclays at a price of $160.00 per share, which included 23,211,335 shares of common stock issued upon the conversion of Series B Preferred by a subsidiary of Barclays.

Upon completion of this offering, BlackRock repurchased 6,377,552 shares directly from Barclays outside the publicly announced share repurchase program at a price of $156.80 per share (consisting of 6,346,036 of Series B Preferred and 31,516 shares of common stock). The total transactions, including the full exercise of the underwriters' option to purchase 2,621,134 additional shares in the secondary offering, amounted to 35,210,021 shares, resulting in Barclays exiting its entire ownership position in BlackRock.

May 2012 PNC Capital Exchange. In May 2012, PNC exchanged 2,000,000 shares of Series B Preferred for an equal number of shares of common stock.

Other Changes. In September and October 2012, 593,786 and 2,594,070 shares of Series B Preferred, respectively, converted into an equal number of shares of common stock.

January 2013 PNC Capital Contribution. In January 2013, PNC surrendered to BlackRock 205,350 shares of BlackRock Series C Preferred to fund certain LTIP awards in accordance with the share surrender agreement between PNC and BlackRock.

Cash Dividends for Common and Preferred Shares / RSUs. During 2013, 2012 and 2011, the Company paid cash dividends of $6.72 per share (or $1,168 million), $6.00 per share (or $1,060 million) and $5.50 per share (or $1,014 million), respectively.

Share Repurchase Approvals. In January 2013, the Board of Directors (the "Board") approved an increase in the availability under the Company's existing share repurchase program to allow for the repurchase of up to 10.2 million shares of BlackRock common stock. The Company repurchased 3.7 million common shares in open market-transactions under the share repurchase program for approximately $1.0 billion during 2013. At December 31, 2013, there were 6.5 million shares still authorized to be repurchased.

The Company’s common and preferred shares issued and outstanding and related activity consist of the following:

	Shares Issued					Shares Outstanding		
	Common Shares	Escrow Common Shares	Treasury Common Shares	Series B Preferred	Series C Preferred	Common Shares	Series B Preferred	Series C Preferred
December 31, 2010	131,923,624	(3,603)	(703,460)	57,108,553	2,866,439	131,216,561	57,108,553	2,866,439
Exchange of Series B Preferred for common shares	5,216,938	—	—	(5,216,938)	—	5,216,938	(5,216,938)	—
Shares repurchased	—	—	(618,000)	(13,562,878)	—	(618,000)	(13,562,878)	—
Net issuance of common shares related to employee stock transactions and convertible debt conversions	2,739,818	—	(92,182)	—	—	2,647,636	—	—
PNC LTIP capital contribution	—	—	—	—	(1,349,202)	—	—	(1,349,202)
December 31, 2011	139,880,380	(3,603)	(1,413,642)	38,328,737	1,517,237	138,463,135	38,328,737	1,517,237
Exchange of Series B Preferred for common shares	31,159,513	—	—	(31,159,513)	—	31,159,513	(31,159,513)	—
Shares repurchased	(31,516)	—	(2,726,600)	(6,346,036)	—	(2,758,116)	(6,346,036)	—
Net issuance of common shares related to employee stock transactions	247,411	—	1,763,361	—	—	2,010,772	—	—
Release of common shares from escrow	(3,603)	3,603	—	—	—	—	—	—
December 31, 2012	171,252,185	—	(2,376,881)	823,188	1,517,237	168,875,304	823,188	1,517,237
Shares repurchased	—	—	(3,689,845)	—	—	(3,689,845)	—	—
Net issuance of common shares related to employee stock transactions	—	—	1,404,229	—	—	1,404,229	—	—
PNC LTIP capital contribution	—	—	—	—	(205,350)	—	—	(205,350)
December 31, 2013	**171,252,185**	**—**	**(4,662,497)**	**823,188**	**1,311,887**	**166,589,688**	**823,188**	**1,311,887**

20. Restructuring Charges

During 2011, the Company reduced its workforce globally by approximately 3.4%. This action was the result of a cost-cutting initiative designed to streamline operations, enhance competitiveness and better position the Company in the asset management marketplace. The Company recorded a pre-tax restructuring charge of approximately $32 million ($22 million after-tax) during 2011. This charge was comprised of $24 million of severance and associated outplacement costs and $8 million of expenses related to the accelerated amortization of previously granted equity-based compensation awards.

The following table presents a rollforward of the Company's restructuring liability, which is included within other liabilities on the consolidated statements of financial condition:

(in millions)	
Liability as of December 31, 2010(1)	$ 2
Additions	32
Cash payments	(8)
Accelerated amortization of equity-based awards	(8)
Liability as of December 31, 2011	$ 18
Cash payments	(17)
Liability as of December 31, 2012	$ 1
Other adjustments	(1)
Liability as of December 31, 2013	**$ —**

(1) Liability amount as of December 31, 2010 related to a pre-tax restructuring charge of $22 million recorded during 2009.

21. Income Taxes

The components of income tax expense for 2013, 2012 and 2011, are as follows:

(in millions)	2013	2012	2011
Current income tax expense:			
Federal	**$ 869**	$ 856	$ 693
State and local	**39**	49	54
Foreign	**307**	186	186
Total net current income tax expense	**1,215**	1,091	933
Deferred income tax expense (benefit):			
Federal	**(68)**	4	52
State and local	**13**	13	(112)
Foreign	**(138)**	(78)	(77)
Total net deferred income tax expense (benefit)	**(193)**	(61)	(137)
Total income tax expense	**$ 1,022**	$ 1,030	$ 796

Income tax expense has been based on the following components of income before taxes, less net income (loss) attributable to noncontrolling interests:

(in millions)	2013	2012	2011
Domestic	**$ 2,814**	$ 2,690	$ 2,397
Foreign	**1,140**	798	736
Total	**$ 3,954**	$ 3,488	$ 3,133

The foreign income before taxes includes countries that have statutory tax rates that are lower than the U.S. federal statutory tax rate of 35%, such as the United Kingdom, Luxembourg, Canada and the Netherlands.

A reconciliation of income tax expense with expected federal income tax expense computed at the applicable federal income tax rate of 35% is as follows:

(in millions)	2013	%	2012	%	2011	%
Statutory income tax expense	**$ 1,383**	35%	$ 1,221	35%	$ 1,097	35%
Increase (decrease) in income taxes resulting from:						
State and local taxes (net of federal benefit)	**39**	1	49	2	59	2
Impact of foreign, state, and local tax rate changes on deferred taxes	**(69)**	(2)	(50)	(2)	(188)	(6)
Effect of foreign tax rates	**(329)**	(8)	(221)	(5)	(197)	(6)
Other	**(2)**	—	31	—	25	—
Income tax expense	**$ 1,022**	26%	$ 1,030	30%	$ 796	25%

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. These temporary differences result in taxable or deductible amounts in future years.

The components of deferred income tax assets and liabilities are shown below:

(in millions)	December 31, 2013	2012
Deferred income tax assets:		
Compensation and benefits	**$ 345**	$ 355
Unrealized investment losses	**99**	71
Loss carryforwards	**42**	81
Foreign tax credit carryforwards	**28**	—
Other	**290**	222
Gross deferred tax assets	**804**	729
Less: deferred tax valuation allowances	**(48)**	(95)
Deferred tax assets net of valuation allowances	**756**	634
Deferred income tax liabilities:		
Goodwill and acquired indefinite-lived intangibles	**5,594**	5,656
Acquired finite-lived intangibles	**110**	158
Other	**133**	109
Gross deferred tax liabilities	**5,837**	5,923
Net deferred tax (liabilities)	**$ (5,081)**	$ (5,289)

Deferred income tax assets and liabilities are recorded net when related to the same tax jurisdiction. At December 31, 2013, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred income tax liabilities of $4 million and $5,085 million, respectively. At December 31, 2012, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred income tax liabilities of $4 million and $5,293 million, respectively.

During 2013, tax legislation enacted in the United Kingdom and domestic state tax law changes resulted in a $69 million net noncash benefit related to the revaluation of certain deferred income tax liabilities. During 2012, tax legislation enacted in the United Kingdom and the state and local income tax effect resulting from changes in the Company's organizational structure primarily resulted in a $50 million net noncash benefit related to the revaluation of certain deferred income tax liabilities.

The Company had a deferred income tax asset related to unrealized investment losses of approximately $99 million and $71 million at December 31, 2013 and 2012, respectively, reflecting the Company's conclusion that based on the weight of available evidence, it is more likely than not that the deferred tax asset will be realized. U.S. Federal realized capital losses may be carried back three years and carried forward five years and offset against realized capital gains for federal income tax purposes. The Company expects to hold certain fixed income securities over a period sufficient for them to recover their unrealized losses, and to generate future capital gains sufficient to offset the unrealized capital losses.

At December 31, 2013 and 2012, the Company had available state net operating loss carryforwards of $935 million and $842 million, respectively, which will begin to expire in 2017. At December 31, 2013 and December 31, 2012, the Company had foreign net operating loss carryforwards of $109 million and $152 million, respectively, of which $11 million will begin to expire in 2017 and the balance will carry forward indefinitely. At December 31, 2013, the Company had foreign tax credit carryforwards for income tax purposes of $28 million which will begin to expire in 2023.

At December 31, 2013 and 2012, the Company had $48 million and $95 million of valuation allowances for deferred income tax assets, respectively, recorded on the consolidated statements of financial condition. The year-over-year decrease in the valuation allowance primarily related to the realization of tax loss carryforwards and certain foreign deferred income tax assets.

Goodwill recorded in connection with the Quellos Transaction has been reduced during the period by the amount of tax benefit realized from tax-deductible goodwill. See Note 9, *Goodwill*, for further discussion.

Current income taxes are recorded net on the consolidated statements of financial condition when related to the same tax jurisdiction. At December 31, 2013, the Company had current income taxes receivable and payable of $89 million and $168 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively. At December 31, 2012, the Company had current income taxes receivable and payable of $102 million and $121 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively.

The Company does not provide deferred taxes on the excess of the financial reporting over tax basis on its investments in foreign subsidiaries that are essentially permanent in duration. The excess totaled $3,074 million and $2,125 million at December 31, 2013 and 2012, respectively. The determination of the additional deferred income taxes on the excess has not been provided because it is not practicable due to the complexities associated with its hypothetical calculation.

The following tabular reconciliation presents the total amounts of gross unrecognized tax benefits:

(in millions)	Year ended December 31, 2013	2012	2011
Balance at January 1	**$ 404**	$ 349	$ 307
Additions for tax positions of prior years	**11**	4	22
Reductions for tax positions of prior years	**(5)**	(1)	(1)
Additions based on tax positions related to current year	**67**	69	46
Lapse of statute of limitations	**—**	—	—
Settlements	**(12)**	(29)	(25)
Positions assumed in acquisitions	**2**	12	—
Balance at December 31	**$ 467**	$ 404	$ 349

Included in the balance of unrecognized tax benefits at December 31, 2013, 2012 and 2011, respectively, are $304 million, $250 million and $226 million of tax benefits that, if recognized, would affect the effective tax rate.

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company accrued interest and penalties of $(1) million during 2013 and in total, as of December 31, 2013, had recognized a liability for interest and penalties of $68 million. The Company accrued interest and penalties of

$3 million during 2012 and in total, as of December 31, 2012, had recognized a liability for interest and penalties of $69 million. The Company accrued interest and penalties of $10 million during 2011 and in total, as of December 31, 2011, had recognized a liability for interest and penalties of $66 million. Pursuant to the Amended and Restated Stock Purchase Agreement, the Company has been indemnified by Barclays for $50 million and Guggenheim for $6 million of unrecognized tax benefits.

BlackRock is subject to U.S. federal income tax, state and local income tax, and foreign income tax in multiple jurisdictions. Tax years after 2007 remain open to U.S. federal income tax examination. The IRS is in the process of concluding its audit of the 2008 and 2009 years and its case must be approved by The Joint Committee on Taxation. The BGI group's tax years 2007 through December 1, 2009 are under IRS examination. The IRS is in the process of concluding its audit and its case must be approved by The Joint Committee on Taxation.

The Company is currently under audit in several state and local jurisdictions. The significant state and local income tax examinations are in California for tax years 2009 through 2010, New York State and New York City for tax years 2009 through 2011, and New Jersey for tax years 2007 through 2009. No state and local income tax audits cover years earlier than 2007. No state and local income tax audits are expected to result in an assessment material to BlackRock's consolidated financial statements.

Her Majesty's Revenue and Customs ("HMRC") commenced its United Kingdom income tax audit of various U.K. BlackRock subsidiaries in respect of 2009 through 2011 tax years. While the impact on the consolidated financial statements is undetermined, it is not expected to be material.

At December 31, 2013, it is reasonably possible the total amounts of unrecognized tax benefits will change within the next twelve months due to completion of tax authorities' exams or the expiration of statues of limitations. Management estimates that the existing liability for uncertain tax positions could decrease by approximately $110 million to $135 million within the next twelve months.

22. Earnings Per Share

The following table sets forth the computation of basic and diluted EPS for 2013 under the treasury stock method:

(in millions, except share data)	**2013**
Net income attributable to BlackRock	**$ 2,932**
Basic weighted-average shares outstanding	**170,185,870**
Dilutive effect of nonparticipating RSUs and stock options	**3,643,032**
Total diluted weighted-average shares outstanding	**173,828,902**
Basic earnings per share	**$ 17.23**
Diluted earnings per share	**$ 16.87**

The following table sets forth the computation of basic and diluted EPS for 2012 and 2011 under the two-class method:

(in millions, except per share data)	2012	2011
Net income attributable to BlackRock	$ 2,458	$ 2,337
Less:		
Dividends distributed to common shares	1,059	1,004
Dividends distributed to participating RSUs	1	10
Undistributed net income attributable to BlackRock	1,398	1,323
Percentage of undistributed net income allocated to common shares(1)	99.9%	99.1%
Undistributed net income allocated to common shares	1,396	1,311
Plus:		
Common share dividends	1,059	1,004
Net income attributable to common shares	$ 2,455	$ 2,315
Basic weighted-average shares outstanding	174,961,018	184,265,367
Dilutive effect of nonparticipating RSUs and stock options	3,056,661	2,826,292
Dilutive effect of convertible debt	—	24,751
Total diluted weighted-average shares outstanding	178,017,679	187,116,410
Basic earnings per share	$ 14.03	$ 12.56
Diluted earnings per share	$ 13.79	$ 12.37

(1) Allocation to common stockholders was based on the total of common shares and participating securities (which represent unvested RSUs that contain nonforfeitable rights to dividends). For 2012 and 2011, average outstanding participating securities were 0.2 million and 1.8 million, respectively.

For 2012 and 2011, 449 and 5,125 RSUs, respectively, were excluded from the calculation of diluted EPS because to include them would have an anti-dilutive effect. There were no anti-dilutive RSUs for 2013. In addition, there were no anti-dilutive stock options for 2013, 2012 and 2011.

23. Segment Information

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees, *BlackRock Solutions* and advisory revenue, distribution fees and other revenue for 2013, 2012 and 2011.

(in millions)	**2013**	2012	2011
Equity	**$ 4,816**	$ 4,334	$ 4,447
Fixed income	**1,996**	1,900	1,659
Multi-asset	**1,063**	972	914
Alternatives	**1,104**	968	864
Cash management	**321**	361	383
Total investment advisory, administration fees, securities lending revenue and performance fees	**9,300**	8,535	8,267
BlackRock Solutions and advisory	**577**	518	510
Distribution fees	**73**	71	100
Other revenue	**230**	213	204
Total revenue	**$ 10,180**	$ 9,337	$ 9,081

The following table illustrates total revenue for 2013, 2012 and 2011 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides.

(in millions)

Revenue	2013	2012	2011
Americas	**$ 6,829**	$ 6,429	$ 6,064
Europe	**2,832**	2,460	2,517
Asia-Pacific	**519**	448	500
Total revenue	**$ 10,180**	$ 9,337	$ 9,081

The following table illustrates long-lived assets that consist of goodwill and property and equipment at December 31, 2013, 2012 and 2011 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

(in millions)

Long-lived Assets	2013	2012	2011
Americas	**$ 13,204**	$ 13,238	$ 13,133
Europe	**214**	166	123
Asia-Pacific	**87**	63	73
Total long-lived assets	**$ 13,505**	$ 13,467	$ 13,329

Americas primarily is comprised of the United States, Canada, Brazil, Chile and Mexico, while Europe primarily is comprised of the United Kingdom. Asia-Pacific is comprised of Japan, Australia, Singapore, Hong Kong, Taiwan, Korea, India, Malaysia and China.

24. Selected Quarterly Financial Data (unaudited)

(in millions, except per share data)

2013	1st Quarter	2nd Quarter(1)	3rd Quarter(2)	4th Quarter
Revenue	**$ 2,449**	**$ 2,482**	**$ 2,472**	**$ 2,777**
Operating income	**$ 909**	**$ 849**	**$ 966**	**$ 1,133**
Net income	**$ 666**	**$ 706**	**$ 729**	**$ 850**
Net income attributable to BlackRock	**$ 632**	**$ 729**	**$ 730**	**$ 841**
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	**$ 3.69**	**$ 4.27**	**$ 4.30**	**$ 4.98**
Diluted	**$ 3.62**	**$ 4.19**	**$ 4.21**	**$ 4.86**
Weighted-average common shares outstanding:				
Basic	**171,301,800**	**170,648,731**	**169,811,633**	**169,010,606**
Diluted	**174,561,132**	**173,873,583**	**173,371,508**	**172,999,529**
Dividend declared per share	**$ 1.68**	**$ 1.68**	**$ 1.68**	**$ 1.68**
Common stock price per share:				
High	**$ 258.70**	**$ 291.69**	**$ 286.62**	**$ 316.47**
Low	**$ 212.77**	**$ 245.30**	**$ 255.26**	**$ 262.75**
Close	**$ 256.88**	**$ 256.85**	**$ 270.62**	**$ 316.47**

(in millions, except per share data)

2012	1st Quarter	2nd Quarter	3rd Quarter(3)	4th Quarter(4)
Revenue	$ 2,249	$ 2,229	$ 2,320	$ 2,539
Operating income	$ 815	$ 829	$ 875	$ 1,005
Net income	$ 575	$ 560	$ 655	$ 650
Net income attributable to BlackRock	$ 572	$ 554	$ 642	$ 690
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	$ 3.19	$ 3.13	$ 3.72	$ 4.02
Diluted	$ 3.14	$ 3.08	$ 3.65	$ 3.93
Weighted-average common shares outstanding:				
Basic	179,022,840	177,010,239	172,359,141	171,518,278
Diluted	181,917,864	179,590,702	175,450,532	175,176,037
Dividend declared per share	$ 1.50	$ 1.50	$ 1.50	$ 1.50
Common stock price per share:				
High	$ 205.60	$ 206.57	$ 183.00	$ 209.29
Low	$ 179.13	$ 163.37	$ 164.06	$ 177.17
Close	$ 204.90	$ 169.82	$ 178.30	$ 206.71

(1) In the second quarter of 2013 in connection with the PennyMac IPO the Company recorded a noncash, nonoperating pre-tax gain of $39 million related to the carrying value of its equity method investment. In connection with the Charitable Contribution the Company recorded an expense of $124 million and a noncash, nonoperating pre-tax gain of $80 million related to the contributed investment. For further information, see Note 11, *Other Assets*.

In addition, the second quarter of 2013 included approximately a $57 million tax benefit recognized in connection with the Charitable Contribution and a tax benefit of approximately $29 million, primarily due to the realization of tax loss carryforwards.

(2) The third quarter of 2013 included a $64 million net noncash tax benefit primarily related to the revaluation of certain deferred income tax liabilities, including the effect of legislation enacted in the United Kingdom and domestic state and local income tax changes.

(3) The third quarter of 2012 included a $30 million net noncash tax benefit related to the revaluation of certain deferred income tax liabilities, including the effect of legislation enacted in the United Kingdom, and the state and local income tax effect resulting from changes in the Company's organizational structure.

(4) The fourth quarter of 2012 included a one-time pre-tax $30 million charge related to a contribution to certain of the Company's STIFs and $20 million of noncash tax benefits primarily associated with revaluation of certain deferred tax liabilities.

25. Subsequent Events

Dividend Approval. On January 15, 2014, the Board approved BlackRock's quarterly dividend of $1.93 to be paid on March 24, 2014 to stockholders of record on March 7, 2014.

Other. The Company conducted a review for additional subsequent events and determined that no additional subsequent events had occurred that would require accrual or additional disclosures.