GETTY REALTY CORP /MD/
Form 8-K
September 10, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): September 8, 2004

Getty Realty Corp.
(Exact name of registrant as specified in charter)

Maryland	001-13777	11-3412575
(State of Organization)	(Commission File Number)	(IRS Employer Identification No.)

125 Jericho Turnpike, Suite 103
Jericho, New York 11753
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, including area code: (516) 478-5400

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Section 8. Other Events

Item 8.01. Other Events

On September 8, 2004, Getty Realty Corp. announced that United States Bankruptcy Court in Wilmington, DE, on September 7, 2004, approved it as the winning bidder to acquire 36 convenience store and retail motor fuel properties located in Connecticut and Rhode Island currently operated as DB Marts. The aggregate purchase price for these properties is approximately $25 million. Getty is required, under the individual purchase agreements for the properties, to take the properties in their "AS IS" "WHERE IS" condition, free and clear of liens and encumbrances, except as may be expressly provided in the agreements.

Getty will take title to 25 fee properties located in Connecticut and one in Rhode Island and an assignment of the seller's leasehold interest in 10 properties in Connecticut. Getty will take an assignment of an existing environmental remediation agreement with Handex Group, Inc., who will continue to be responsible for the remediation costs associated with certain known environmental conditions at approximately 20 properties in Connecticut. In addition, in the case of several locations, Getty will take an assignment of the seller's interest, as landlord, in existing leases with tenants who operate unrelated businesses on the properties. Getty also is required to purchase the convenience store and fuel inventories at each location which it intends to resell to its tenants.

The properties are being acquired as a part of the auction sale of all of the DB Mart locations owned and operated by DB Companies, Inc., which filed for Chapter 11 protection in June of this year. As the successful bidder, Getty is required to pay a "bidder's premium" of 2% to Matrix Capital Group, Inc., who managed the auction process on behalf of the debtor. The closing is expected to occur in the fourth quarter and Getty intends to purchase the properties with cash on hand and funds available under its existing line of credit.

A copy of the press release announcing this event is attached hereto as Exhibit 99.1.

Section 9. Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

Exhibit Number	Description
99.1	Press Release, dated September 8, 2004, issued by Getty Realty Corp.

SIGNATURES

Pursuant to the requirements 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.

Getty Realty Corp.
(Registrant)

Date: September 10, 2004

By: /s/ THOMAS J. STIRNWEIS

Thomas J. Stirnweis
Vice President, Treasurer and
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit	Description
Exhibit 99.1	Press Release, dated September 8, 2004, issued by Getty Realty Corp.

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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

(a) Excludes purchased impaired loans of approximately $5.3 billion and $5.4 billion in recorded investment, certain government insured or guaranteed residential real estate mortgages of approximately $1.5 billion and $1.7 billion, and loans held for sale at March 31, 2014 and December 31, 2013, 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.

(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 March 31, 2014: New Jersey 14%, Pennsylvania 12%, Illinois 11%, Ohio 11%, Florida 9%, Maryland 5%, Michigan 5%, and California 5%. The remainder of the states had lower than 4% of the higher risk loans individually, and collectively they represent approximately 28% of the higher risk loans. 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 high risk loans individually, and collectively they represent approximately 29% of the higher risk loans.

Table 64: Home Equity and Residential Real Estate Asset Quality Indicators Purchased Impaired Loans (a)

	Home Equity (b) (c)		Residential Real Estate (b) (c)	
March 31, 2014 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	$ 393	$ 314	$ 720
Less than or equal to 660	12	193	242	447
Missing FICO		11	19	30
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	21	518	334	873
Less than or equal to 660	14	225	270	509
Missing FICO		13	16	29
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	13	201	196	410
Less than or equal to 660	10	100	145	255
Missing FICO		6	6	12
Less than 90% and updated FICO scores:				
Greater than 660	98	262	682	1,042
Less than or equal to 660	124	192	604	920
Missing FICO	1	11	45	57
Missing LTV and updated FICO scores:				
Greater than 660	1		13	14
Less than or equal to 660	3		20	23
Missing FICO			4	4
Total home equity and residential real estate loans	$ 310	$ 2,125	$ 2,910	$ 5,345

December 31, 2013 in millions	Home Equity (b) (c) 1st Liens	2nd Liens	Residential Real Estate (b) (c)	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

(a) Amounts shown represent outstanding balance. See Note 5 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 March 31, 2014: 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, 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.

(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.

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 monthly, 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 65: 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
March 31, 2014				
FICO score greater than 719	$ 2,286	53%	$ 8,771	63%
650 to 719	1,165	27	3,520	25
620 to 649	186	4	534	4
Less than 620	233	6	649	5
No FICO score available or required (c)	439	10	377	3
Total loans using FICO credit metric	4,309	100%	13,851	100%
Consumer loans using other internal credit metrics (b)			8,631	
Total loan balance	$ 4,309		$ 22,482	
Weighted-average updated FICO score (d)		729		741
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

(a) At March 31, 2014, we had $32 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 March 31, 2014 balance related to higher risk credit card loans is geographically distributed throughout the following areas: Ohio 18%, Pennsylvania 16%, Michigan 11%, Illinois 7%, Florida 7%, Indiana 6%, New Jersey 5% and Kentucky 4%. All other states had less than 4% individually and make up the remainder of the balance. At December 31, 2013, we had $34 million of credit card loans that are higher risk. 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 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 $.5 billion at March 31, 2014 and December 31, 2013, respectively, for the total TDR portfolio.

Table 66: Summary of Troubled Debt Restructurings

In millions	Mar. 31 2014	Dec. 31 2013
Total consumer lending	$ 2,134	$ 2,161
Total commercial lending	579	578
Total TDRs	$ 2,713	$ 2,739
Nonperforming	$ 1,405	$ 1,511
Accruing (a)	1,151	1,062
Credit card	157	166
Total TDRs	$ 2,713	$ 2,739

(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 67 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 the first three months of 2014 and 2013. 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.

Table 67: Financial Impact and TDRs by Concession Type (a)

During the three months ended March 31, 2014		Pre-TDR	Post-TDR Recorded Investment (c)			
Dollars in millions	Number of Loans	Recorded Investment (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial lending						
Commercial	34	$ 41	$	$	$ 38	$ 38
Commercial real estate	23	41	19		11	30
Total commercial lending	57	82	19		49	68
Consumer lending						
Home equity	831	52		20	27	47
Residential real estate	119	18		6	12	18
Credit card	1,972	16		16		16
Other consumer	265	4			3	3
Total consumer lending	3,187	90		42	42	84
Total TDRs	3,244	$ 172	$ 19	$ 42	$ 91	$ 152

During the three months ended March 31, 2013

Dollars in millions						
Commercial lending						
Commercial	32	$ 42	$	$ 2	$ 24	$ 26
Commercial real estate	36	135	6	40	74	120
Total commercial lending	68	177	6	42	98	146
Consumer lending						
Home equity	958	73		39	28	67
Residential real estate	320	46		12	33	45
Credit card	2,530	18		18		18
Other consumer	480	8			7	7
Total consumer lending	4,288	145		69	68	137
Total TDRs	4,356	$ 322	$ 6	$ 111	$ 166	$ 283

(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 the 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.

TDRs may result in charge-offs and interest income not being recognized. The amount of principal balance charged-off at or around the time of modification for the three months ended March 31, 2014 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 the three months ended March 31, 2014 and 2013, related to both commercial TDRs and consumer TDRs, was not material.

After a loan is determined to be a TDR, we continue to track its performance under its most recent restructured terms. In Table 68, 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, 2014 and January 1, 2013, respectively, and subsequently defaulted during these reporting periods.

Table 68: TDRs that were Modified in the Past Twelve Months which have Subsequently Defaulted

During the three months ended
March 31, 2014

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	10	$ 6
Commercial real estate	7	10
Total commercial lending	17	16
Consumer lending		
Home equity	417	25
Residential real estate	219	29
Credit card	1,157	9
Other consumer	83	1
Total consumer lending	1,876	64
Total TDRs	1,893	$ 80

During the three months ended
March 31, 2013

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	15	$ 10
Commercial real estate	6	10
Total commercial lending	21	20
Consumer lending		
Home equity	152	11
Residential real estate	94	13
Credit card	1,427	11
Other consumer	33	1
Total consumer lending	1,706	36
Total TDRs	1,727	$ 56

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 classified as nonaccrual. 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. TDRs that were previously recorded at amortized cost and are now classified and accounted for as held for sale are also included. Excluded from impaired loans are nonperforming leases, loans accounted for as held for sale other than the TDRs described in the preceding sentence, loans accounted for under the fair value option, smaller balance homogeneous type loans and purchased impaired loans. See Note 5 Purchased Loans for additional information. Nonperforming equipment lease financing loans of $6 million and $5 million at March 31, 2014 and December 31, 2013, 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 three months ended March 31, 2014 and March 31, 2013. 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 69: Impaired Loans

In millions	Unpaid Principal Balance	Recorded Investment (a)	Associated Allowance (b)	Average Recorded Investment (a)
March 31, 2014				
Impaired loans with an associated allowance				
Commercial	$ 521	$ 397	$ 86	$ 399
Commercial real estate	460	289	80	315
Home equity	1,003	990	327	990
Residential real estate	576	419	68	428
Credit card	157	157	34	162
Other consumer	68	52	2	55
Total impaired loans with an associated allowance	$ 2,785	$ 2,304	$ 597	$ 2,349
Impaired loans without an associated allowance				
Commercial	$ 215	$ 145		$ 154
Commercial real estate	446	336		325
Home equity	377	128		127
Residential real estate	393	388		387
Total impaired loans without an associated allowance	$ 1,431	$ 997		$ 993
Total impaired loans	$ 4,216	$ 3,301	$ 597	$ 3,342
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

(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 three months ended March 31, 2014 and the year ended December 31, 2013, respectively.

(b) Associated allowance amounts include $.5 billion and $.5 billion for TDRs at March 31, 2014 and December 31, 2013, respectively.

NOTE 5 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 March 31, 2014 and December 31, 2013:

Table 70: Purchased Impaired Loans   Balances

	March 31, 2014			December 31, 2013		
In millions	Outstanding Balance	Recorded Investment	Carrying Value	Outstanding Balance	Recorded Investment	Carrying Value
Commercial lending						
Commercial	$ 249	$ 132	$ 108	$ 282	$ 157	$ 131
Commercial real estate	550	437	338	655	516	409
Total commercial lending	799	569	446	937	673	540
Consumer lending						
Consumer	2,435	2,226	1,914	2,523	2,312	1,971
Residential real estate	2,910	3,029	2,516	3,025	3,121	2,591
Total consumer lending	5,345	5,255	4,430	5,548	5,433	4,562
Total	$ 6,144	$ 5,824	$ 4,876	$ 6,485	$ 6,106	$ 5,102

During the first three months of 2014, $43 million of provision recapture and $14 million of charge-offs were recorded on purchased impaired loans. The comparative amounts for the three months ended March 31, 2013, were $57 million of provision and $45 million of charge-offs. At March 31, 2014, the allowance for loan and lease losses was $.9 billion on $5.1 billion of purchased impaired loans while the remaining $.7 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, 2013, the allowance for loan and lease losses related to purchased impaired loans was $1.0 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 the first three months of 2014 and 2013 follows:

Table 71: Purchased Impaired Loans Accretable Yield

In millions	2014	2013
January 1	$ 2,055	$ 2,166
Accretion (including excess cash recoveries)	(154)	(207)
Net reclassifications to accretable from non-accretable (a)	95	219
Disposals	(8)	(6)
March 31	$ 1,988	$ 2,172

(a) Approximately 95% and 52% of the net reclassifications for the quarters ended March 31, 2014 and 2013, respectively, 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 6 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 5 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 over our loss emergence period.

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 changes in unemployment rates, home prices and other economic factors, to determine estimated cash flows.

Table 72: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data

In millions	Commercial Lending	Consumer Lending	Total
March 31, 2014			
Allowance for Loan and Lease Losses			
January 1	$ 1,547	$ 2,062	$ 3,609
Charge-offs	(105)	(195)	(300)
Recoveries	74	40	114
Net charge-offs	(31)	(155)	(186)
Provision for credit losses	18	76	94
Net change in allowance for unfunded loan commitments and letters of credit	16	(2)	14
Other	(1)		(1)
March 31	$ 1,549	$ 1,981	$ 3,530
TDRs individually evaluated for impairment	$ 33	$ 431	$ 464
Other loans individually evaluated for impairment	133		133
Loans collectively evaluated for impairment	1,260	725	1,985
Purchased impaired loans	123	825	948
March 31	$ 1,549	$ 1,981	$ 3,530
Loan Portfolio			
TDRs individually evaluated for impairment (a)	$ 576	$ 2,134	$ 2,710
Other loans individually evaluated for impairment	588		588
Loans collectively evaluated for impairment (b)	119,040	69,030	188,070
Fair value option loans (c)		1,050	1,050
Purchased impaired loans	569	5,255	5,824
March 31	$ 120,773	$ 77,469	$ 198,242
Portfolio segment ALLL as a percentage of total ALLL	44%	56%	100%
Ratio of the allowance for loan and lease losses to total loans	1.28%	2.56%	1.78%
March 31, 2013			
Allowance for Loan and Lease Losses			
January 1	$ 1,774	$ 2,262	$ 4,036
Charge-offs (d)	(203)	(366)	(569)
Recoveries	82	31	113
Net charge-offs	(121)	(335)	(456)
Provision for credit losses	55	181	236
Net change in allowance for unfunded loan commitments and letters of credit	12		12
March 31	$ 1,720	$ 2,108	$ 3,828
TDRs individually evaluated for impairment	$ 35	$ 480	$ 515
Other loans individually evaluated for impairment	233		233
Loans collectively evaluated for impairment	1,254	717	1,971
Purchased impaired loans	198	911	1,109
March 31	$ 1,720	$ 2,108	$ 3,828
Loan Portfolio			
TDRs individually evaluated for impairment (a)	$ 610	$ 2,231	$ 2,841
Other loans individually evaluated for impairment	936		936
Loans collectively evaluated for impairment (b)	107,679	67,341	175,020
Fair value option loans (c)		634	634
Purchased impaired loans	1,079	5,994	7,073
March 31	$ 110,304	$ 76,200	$ 186,504
Portfolio segment ALLL as a percentage of total ALLL	45%	55%	100%
Ratio of the allowance for loan and lease losses to total loans	1.56%	2.77%	2.05%

(a) TDRs individually evaluated for impairment exclude TDRs that were subsequently identified and accounted for as held for sale loans, but continue to be disclosed as TDRs.
(b) Includes $246 million of loans collectively evaluated for impairment based upon collateral values and written down to the respective collateral value less costs to sell at March 31, 2014. Accordingly, there is no allowance recorded for these loans. The comparative amount as of March 31, 2013 was $309 million.
(c) Loans accounted for under the fair value option are not evaluated for impairment as these loans are accounted for at fair value, accordingly there is no allowance recorded on these loans.
(d) Pursuant to alignment with interagency guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, additional charge-offs of $134 million were taken.

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 73: Rollforward of Allowance for Unfunded Loan Commitments and Letters of Credit

In millions	2014	2013
January 1	$ 242	$ 250
Net change in allowance for unfunded loan commitments and letters of credit	(14)	(12)
March 31	$ 228	$ 238

Note 7 Investment Securities

Table 74: Investment Securities Summary

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2014				
Securities Available for Sale				
Debt securities				
U.S. Treasury and government agencies	$ 4,424	$ 152	$ (3)	$ 4,573
Residential mortgage-backed				
Agency	21,371	410	(150)	21,631
Non-agency	5,268	332	(128)	5,472
Commercial mortgage-backed				
Agency	623	15	(1)	637
Non-agency	3,753	123	(14)	3,862
Asset-backed	5,513	77	(35)	5,555
State and municipal	2,732	90	(29)	2,793
Other debt	2,593	55	(12)	2,636
Total debt securities	46,277	1,254	(372)	47,159
Corporate stocks and other	325		(1)	324
Total securities available for sale	$ 46,602	$ 1,254	$ (373)	$ 47,483
Securities Held to Maturity				
Debt securities				
U.S. Treasury and government agencies	$ 241	$ 19		$ 260
Residential mortgage-backed				
Agency	5,671	89	$ (40)	5,720
Non-agency	288		(4)	284
Commercial mortgage-backed				
Agency	1,221	56		1,277
Non-agency	1,357	19	(1)	1,375
Asset-backed	996	2	(7)	991
State and municipal	1,054	38		1,092
Other debt	333	9		342
Total securities held to maturity	$ 11,161	$ 232	$ (52)	$ 11,341
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

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities Held to Maturity				
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

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 March 31, 2014, Accumulated other comprehensive income included pretax gains of $67 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.

Table 75 presents gross unrealized losses on securities available for sale at March 31, 2014 and December 31, 2013. 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 75: Gross Unrealized Loss and Fair Value of Securities Available for Sale

In millions	Unrealized loss position less than 12 months Unrealized Loss	Fair Value	Unrealized loss position 12 months or more Unrealized Loss	Fair Value	Total Unrealized Loss	Fair Value
March 31, 2014						
Debt securities						
U.S. Treasury and government agencies	$ (3)	$ 1,369			$ (3)	$ 1,369
Residential mortgage-backed						
Agency	(136)	6,505	$ (14)	$ 488	(150)	6,993
Non-agency	(8)	407	(120)	1,655	(128)	2,062
Commercial mortgage-backed						
Agency	(1)	34			(1)	34
Non-agency	(14)	1,058		11	(14)	1,069
Asset-backed	(8)	1,621	(27)	254	(35)	1,875
State and municipal	(7)	236	(22)	291	(29)	527
Other debt	(11)	744	(1)	12	(12)	756
Total debt securities	(188)	11,974	(184)	2,711	(372)	14,685
Corporate stocks and other	(1)	15			(1)	15
Total	$ (189)	$ 11,989	$ (184)	$ 2,711	$ (373)	$ 14,700
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

The gross unrealized loss on debt securities held to maturity was $61 million at March 31, 2014 and $98 million at December 31, 2013. The majority of the gross unrealized loss at March 31, 2014 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 $2.7 billion and $3.6 billion at March 31, 2014 and December 31, 2013, respectively, and positions that were in a continuous loss position for 12 months or more were $45 million and $48 million at March 31, 2014 and December 31, 2013, 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 75, as of March 31, 2014 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.

At least quarterly, 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 76: Credit Impairment Assessment Assumptions Non-Agency Residential Mortgage-Backed and Asset-Backed Securities

March 31, 2014	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	8-54	30
Option ARM	12-57	42
Loss severity		
Prime	25-65%	43%
Alt-A	30-80	56
Option ARM	40-75	60

(a) Calculated by weighting the relevant assumption for each individual security by the current outstanding cost basis of the security.

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 77: Rollforward of Cumulative OTTI Credit Losses Recognized in Earnings

Three months ended March 31,

In millions	2014	2013
Balance at beginning of period	$ (1,160)	$ (1,201)
Additional loss where credit impairment was previously recognized	(2)	(10)
Reduction due to credit impaired securities sold or matured	5	46
Balance at end of period	$ (1,157)	$ (1,165)

Information relating to gross realized securities gains and losses from the sales of securities is set forth in the following table.

Table 78: Gains (Losses) on Sales of Securities Available for Sale

In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Tax Expense
For the three months ended March 31					
2014	$ 1,361	$ 16	$ (6)	$ 10	$ 4
2013	1,255	17	(3)	14	5

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at March 31, 2014.

Table 79: Contractual Maturity of Debt Securities

March 31, 2014

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		$ 1,151	$ 2,922	$ 351	$ 4,424
Residential mortgage-backed					
Agency		85	434	20,852	21,371
Non-agency		9	1	5,258	5,268
Commercial mortgage-backed					
Agency	$ 65	424	36	98	623
Non-agency		58	54	3,641	3,753
Asset-backed	30	869	2,237	2,377	5,513
State and municipal	5	115	364	2,248	2,732
Other debt	433	1,411	494	255	2,593
Total debt securities available for sale	$ 533	$ 4,122	$ 6,542	$ 35,080	$ 46,277
Fair value	$ 536	$ 4,215	$ 6,672	$ 35,736	$ 47,159
Weighted-average yield, GAAP basis	3.04%	2.46%	2.37%	3.10%	2.94%
Securities Held to Maturity					
U.S. Treasury and government agencies				$ 241	$ 241
Residential mortgage-backed					
Agency				5,671	5,671
Non-agency				288	288
Commercial mortgage-backed					
Agency		$ 1,003	$ 214	4	1,221
Non-agency		6		1,351	1,357
Asset-backed			293	703	996

State and municipal	$ 20	16	503	515	1,054
Other debt			333		333
Total debt securities held to maturity	$ 20	$ 1,025	$ 1,343	$ 8,773	$ 11,161
Fair value	$ 21	$ 1,067	$ 1,384	$ 8,869	$ 11,341
Weighted-average yield, GAAP basis	4.42%	3.38%	3.35%	3.63%	3.58%

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 4.8 years at March 31, 2014 and 4.9 years at December 31, 2013. The weighted-average expected maturity of mortgage and other asset-backed debt securities were as follows as of March 31, 2014

Table 80: Weighted-Average Expected Maturity of Mortgage and Other Asset-Backed Debt Securities

March 31, 2014	Years
Agency residential mortgage-backed securities	4.7
Non-agency residential mortgage-backed securities	5.9
Agency commercial mortgage-backed securities	3.4
Non-agency commercial mortgage-backed securities	3.1
Asset-backed securities	3.9

Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security. At March 31, 2014, 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 81: Fair Value of Securities Pledged and Accepted as Collateral

In millions	March 31 2014	December 31 2013
Pledged to others	$ 17,343	$ 18,772
Accepted from others:		
Permitted by contract or custom to sell or repledge	1,015	1,571
Permitted amount repledged to others	812	1,343

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.

NOTE 8 FAIR VALUE

FAIR VALUE MEASUREMENT

GAAP establishes a fair value reporting hierarchy to maximize the use of observable inputs when measuring fair value. There are three levels of inputs used to measure fair value. For more information regarding the fair value hierarchy and the valuation methodologies for assets and liabilities measured at fair value on a recurring basis, see Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

Valuation Processes

We have various processes and controls in place to help ensure that fair value is reasonably estimated. Any models used to determine fair values or to validate dealer quotes 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 at least annually. In addition, we have teams independent of the traders that 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

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.

For more information regarding the fair value of financial instruments accounted for at fair value on a recurring basis, see Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

The following disclosures for financial instruments accounted for at fair value have been updated during the first three months of 2014:

Financial Derivatives

In connection with the sales of portions of our Visa Class B common shares, we entered into additional 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 $100 million at March 31, 2014 and $90 million at December 31, 2013, respectively.

Commercial Mortgage Servicing Rights

As of January 1, 2014, PNC made an irrevocable election to subsequently measure all classes of commercial mortgage servicing rights (MSRs) at fair value in order to eliminate any potential measurement mismatch between our economic hedges and the commercial MSRs. The impact of the cumulative-effect adjustment to retained earnings was not material. We will recognize recurring gains/(losses) on changes in the fair value of commercial MSRs as a result of the election. Assumptions incorporated into the commercial valuation model reflect management s best estimate of factors that a market participant would use in valuing the commercial MSRs. Although sales of commercial MSRs do occur, commercial MSRs do not trade in an active, open market with readily observable prices so the precise terms and conditions of sales are not available. Due to the nature of the valuation inputs and the limited availability of market pricing, commercial MSRs are classified as Level 3.

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.

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

Table 82: Fair Value Measurements   Recurring Basis Summary

	March 31, 2014				December 31, 2013			
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	$ 3,922	$ 651		$ 4,573	$ 3,460	$ 658		$ 4,118
Residential mortgage-backed								
Agency		21,631		21,631		22,831		22,831
Non-agency		238	$ 5,234	5,472		247	$ 5,358	5,605
Commercial mortgage-backed								
Agency		637		637		646		646
Non-agency		3,862		3,862		4,042		4,042
Asset-backed		4,913	642	5,555		5,131	641	5,772
State and municipal		2,462	331	2,793		2,284	333	2,617
Other debt		2,604	32	2,636		2,505	38	2,543
Total debt securities	3,922	36,998	6,239	47,159	3,460	38,344	6,370	48,174
Corporate stocks and other	309	15		324	417	16		433
Total securities available for sale	4,231	37,013	6,239	47,483	3,877	38,360	6,370	48,607
Financial derivatives (a) (b)								
Interest rate contracts	22	4,315	28	4,365	25	4,540	34	4,599
Other contracts		177	2	179		192	2	194
Total financial derivatives	22	4,492	30	4,544	25	4,732	36	4,793
Residential mortgage loans held for sale (c)		1,052	5	1,057		1,307	8	1,315
Trading securities (d)								
Debt (e)	1,245	1,084	32	2,361	2,159	862	32	3,053
Equity	20			20	20			20
Total trading securities	1,265	1,084	32	2,381	2,179	862	32	3,073
Trading loans (a)		7		7		6		6
Residential mortgage servicing rights (f)			1,039	1,039			1,087	1,087
Commercial mortgage servicing rights (f) (g)			529	529				
Commercial mortgage loans held for sale (c)			577	577			586	586
Equity investments (a) (h)								
Direct investments			1,163	1,163			1,069	1,069
Indirect investments (i)			594	594			595	595
Total equity investments			1,757	1,757			1,664	1,664
Customer resale agreements (j)		186		186		207		207
Loans (k)		544	506	1,050		513	512	1,025
Other assets (a)								
BlackRock Series C Preferred Stock (l)			330	330			332	332
Other	196	205	8	409	209	184	8	401
Total other assets	196	205	338	739	209	184	340	733
Total assets	$ 5,714	$ 44,583	$ 11,052	$ 61,349	$ 6,290	$ 46,171	$ 10,635	$ 63,096
Liabilities								
Financial derivatives (b) (m)								
Interest rate contracts	$ 9	$ 3,078	$ 6	$ 3,093	$ 6	$ 3,307	$ 13	$ 3,326
BlackRock LTIP			330	330			332	332
Other contracts		175	104	279		182	94	276
Total financial derivatives	9	3,253	440	3,702	6	3,489	439	3,934
Trading securities sold short (n)								
Debt	806	23		829	1,341	1		1,342
Total trading securities sold short	806	23		829	1,341	1		1,342
Other borrowed funds			181	181			184	184
Total liabilities	$ 815	$ 3,276	$ 621	$ 4,712	$ 1,347	$ 3,490	$ 623	$ 5,460

(a) Included in Other assets on our Consolidated Balance Sheet.
(b) Amounts at March 31, 2014 and December 31, 2013 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 both March 31, 2014 and December 31, 2013, and the net liability amounts were $.8 billion and $.9 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 $15 million at March 31, 2014 compared with net unrealized gains of $11 million at December 31, 2013.
(e) Approximately 30% of these securities are residential mortgage-backed securities and 54% are U.S. Treasury and government agencies securities at March 31, 2014. Comparable amounts at December 31, 2013 were 17% and 69%, respectively.
(f) Included in Other intangible assets on our Consolidated Balance Sheet.
(g) As of January 1, 2014, PNC made an irrevocable election to measure all classes of commercial MSRs at fair value. Accordingly, beginning with the first quarter of 2014, commercial MSRs are measured at fair value on a recurring basis.
(h) Our adoption of ASU 2013-08, Financial Services Investment Companies (Topic 946): *Amendments to the Scope, Measurement and Disclosure Requirements*, did not result in a change in classification or status of our accounting for investment companies.
(i) 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 $120 million and related to direct equity investments was $33 million as of March 31, 2014, respectively. Comparable amounts at December 31, 2013 were $128 million and $36 million, respectively.
(j) Included in Federal funds sold and resale agreements on our Consolidated Balance Sheet. PNC has elected the fair value option for these items.
(k) Included in Loans on our Consolidated Balance Sheet.
(l) PNC has elected the fair value option for these shares.
(m) Included in Other liabilities on our Consolidated Balance Sheet.
(n) 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 2014 and 2013 follow.

Table 83: Reconciliation of Level 3 Assets and Liabilities

Three Months Ended March 31, 2014

		Total realized / unrealized gains or losses for the period (a)									Unrealized gains (losses) on assets and liabilities held on
Level 3 Instruments Only In millions	Fair Value Dec. 31, 2013	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 Mar. 31, 2014	Consolidated Balance Sheet at Mar. 31, 2014 (c)
Assets											
Securities available for sale											
Residential mortgage backed non-agency	$ 5,358	$ 34	$ 54				$ (212)			$ 5,234	$ (2)
Asset-backed	641	4	19				(22)			642	
State and municipal	333	(2)	1				(1)			331	
Other debt	38	1			$ (6)		(1)			32	
Total securities available for sale	6,370	37	74		(6)		(236)			6,239	(2)
Financial derivatives	36	60					(66)			30	52
Residential mortgage loans held for sale	8			$ 5	(2)			$ 3	$ (9)	5	
Trading securities Debt	32									32	
Residential mortgage servicing rights	1,087	(59)		17		$ 23	(29)			1,039	(58)
Commercial mortgage servicing rights		(14)		7		7	529 (d)			529	(14)
Commercial mortgage loans held for sale	586	2					(11)			577	2
Equity investments											
Direct investments	1,069	34		69	(9)					1,163	33
Indirect investments	595	18		6	(26)		1			594	17
Total equity investments	1,664	52		75	(35)		1			1,757	50
Loans	512	9			(6)		(19)	39	(29)	506	6
Other assets											

BlackRock Series C Preferred Stock	332	(2)								330	(2)
Other	8									8	
Total other assets	340	(2)								338	(2)
Total assets	$ 10,635	$ 85 (f)	$ 74	$ 104	$ (49)	$ 30	$ 169	$ 42	$ (38)	$ 11,052	$ 34 (g)
Liabilities											
Financial derivatives (e)	$ 439	$ 40			$ 1		$ (40)			$ 440	$ (4)
Other borrowed funds	184	4					(7)			181	
Total liabilities	$ 623	$ 44 (f)			$ 1		$ (47)			$ 621	$ (4) (g)

Three Months Ended March 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 Mar. 31, 2013	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Mar. 31, 2013(c)
Assets											
Securities available for sale											
Residential mortgage-backed non-agency	$ 6,107	$ 43	$ 139				$ (251)			$ 6,038	$ (7)
Commercial mortgage backed non-agency		1					(1)				
Asset-backed	708	3	25				(35)			701	(3)
State and municipal	339	1	2				(12)			330	
Other debt	48			$ 1						49	
Total securities available for sale	7,202	48	166	1			(299)			7,118	(10)
Financial derivatives	106	89		1			(103)			93	76
Residential mortgage loans held for sale	27	1		28				$ 3	$ (15)	44	1
Trading securities Debt	32									32	
Residential mortgage servicing rights	650	78		64		$ 37	(50)			779	75
Commercial mortgage loans held for sale	772	1			$ (2)		(2)			769	
Equity investments											
Direct investments	1,171	19		14	(11)					1,193	14
Indirect investments	642	13		4	(32)					627	13
Total equity investments	1,813	32		18	(43)					1,820	27
Loans	134	5					125	12	(4)	272	5
Other assets											
BlackRock Series C Preferred Stock	243	60					(33)			270	60
Other	9									9	
Total other assets	252	60					(33)			279	60
Total assets	$ 10,988	$ 314(f)	$ 166	$ 112	$ (45)	$ 37	$ (362)	$ 15	$ (19)	$ 11,206	$ 234(g)
Liabilities											
Financial derivatives (e)	$ 376	$ 76					$ (52)			$ 400	$ 51
Other borrowed funds							130			130	
Total liabilities	$ 376	$ 76(f)					$ 78			$ 530	$ 51(g)

(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) Settlements relating to commercial MSRs of $552 million represent the fair value as of January 1, 2014 as a result of an irrevocable election to measure all classes of commercial MSRs at fair value. Refer to Note 9 Goodwill and Other Intangible Assets for additional information on commercial MSRs.

(e) Financial derivatives, which include swaps entered into in connection with sales of certain Visa Class B common shares.

(f) Net gains (realized and unrealized) included in earnings relating to Level 3 assets and liabilities were $41 million for the first three months of 2014 compared with net gains (realized and unrealized) of $238 million for the first three months of 2013. These amounts also included amortization and accretion of $41 million for the first three months of 2014 compared with $57 million for the first three months of 2013. 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.

(g) Net unrealized gains relating to those assets and liabilities held at the end of the reporting period were $38 million for the first three months of 2014, compared with net unrealized gains of $183 million for the first three months of 2013. 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. 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 the first three months of 2014, there were transfers of residential mortgage loans held for sale and loans from Level 2 to Level 3 of $3 million and $32 million, respectively, as a result of reduced market activity in the nonperforming residential mortgage sales market which reduced the observability of valuation inputs. Also during the first three months of 2014, there were transfers out of Level 3 residential mortgage loans held for sale and loans of $2 million and $29 million, respectively, primarily due to the transfer of residential mortgage loans held for sale and loans to OREO. In addition, there was approximately $7 million of Level 3 residential mortgage loans held for sale reclassified to Level 3 loans during the first three months of 2014 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 83.

During the first three months of 2013, there were transfers of residential mortgage loans held for sale and loans from Level 2 to Level 3 of $3 million and $1 million, respectively, as a result of reduced market activity in the nonperforming residential mortgage sales market which reduced the observability of valuation inputs. Also during the first three months of 2013, there were transfers out of Level 3 residential mortgage loans held for sale and loans of $4 million and $4 million, respectively, primarily due to the transfer of residential mortgage loans held for sale and loans to OREO. In addition, there was approximately $11 million of Level 3 residential mortgage loans held for sale reclassified to Level 3 loans during the first three months of 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 mortgage loans held for sale and Transfers into Level 3 loans within Table 83.

Quantitative information about the significant unobservable inputs within Level 3 recurring assets and liabilities follows.

Table 84: Fair Value Measurements Recurring Quantitative Information

March 31, 2014

Level 3 Instruments Only

Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Residential mortgage-backed non-agency securities	$ 5,234	Priced by a third-party vendor	Constant prepayment rate (CPR)	1.0% - 32.1% (6.7%)	(a)
		using a discounted cash flow	Constant default rate (CDR)	0% - 21.9% (6.3%)	(a)
		pricing model (a)	Loss severity	6.1% - 96.4% (52.5%)	(a)
			Spread over the benchmark curve (b)	230bps weighted average	(a)
Asset-backed securities	642	Priced by a third-party vendor	Constant prepayment rate (CPR)	1.0% - 14.2% (5.8%)	(a)
		using a discounted cash flow	Constant default rate (CDR)	1.0% - 13.9% (8.2%)	(a)
		pricing model (a)	Loss severity	10.0% - 100% (72.5%)	(a)
			Spread over the benchmark curve (b)	302bps weighted average	(a)
State and municipal securities	131	Discounted cash flow	Spread over the benchmark curve (b)	60bps - 210bps (76bps)	
	200	Consensus pricing (c)	Credit and Liquidity discount	0% - 25.0% (8.3%)	
Other debt securities	32	Consensus pricing (c)	Credit and Liquidity discount	7.0% - 95.0% (88.4%)	
Trading securities - Debt	32	Consensus pricing (c)	Credit and Liquidity discount	5% - 20.0% (8.3%)	
Residential mortgage servicing rights	1,039	Discounted cash flow	Constant prepayment rate (CPR)	2.2% - 36.5% (8.3%)	
			Spread over the benchmark curve (b)	889bps - 1,888bps (1,023bps)	
Commercial mortgage servicing rights	529	Discounted cash flow	Constant prepayment rate (CPR)	5.8% - 13.1% (8.0%)	
			Discount rate	4.7% - 9.3% (6.7%)	
Commercial mortgage loans held for sale	577	Discounted cash flow	Spread over the benchmark curve (b)	455bps - 8,015bps (1,034bps)	
Equity investments - Direct investments	1,163	Multiple of adjusted earnings	Multiple of earnings	3.3x - 10.8x (7.2x)	
Equity investments - Indirect (d)	594	Net asset value	Net asset value		
Loans - Residential real estate	227	Consensus pricing (c)	Cumulative default rate	2.0% - 100% (80.9%)	
			Loss severity	0% - 100% (45.8%)	
			Gross discount rate	9.1% - 13.0% (11.7%)	
	159	Discounted cash flow	Loss severity	8.0% weighted average	
			Gross discount rate	10.0% weighted average	
Loans - Home equity (e)	120	Consensus pricing (c)	Credit and Liquidity discount	36.0% - 99.0% (57.0%)	
BlackRock Series C Preferred Stock	330	Consensus pricing (c)	Liquidity discount	20.0%	
BlackRock LTIP	(330)	Consensus pricing (c)	Liquidity discount	20.0%	
Swaps related to sales of certain Visa Class B common shares	(100)	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	12.4%	
Other borrowed funds (e)	(181)	Consensus pricing (c)	Credit and Liquidity discount	0% - 99.0% (17.0%)	
			Spread over the benchmark curve (b)	55bps	
Insignificant Level 3 assets, net of liabilities (f)	33				
Total Level 3 assets, net of liabilities (g)	$ 10,431				

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	Constant prepayment rate (CPR)	1.0% - 32.1% (6.0%)	(a)
		using a discounted cash flow	Constant default rate (CDR)	0% - 21.9% (6.6%)	(a)
		pricing model (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	Constant prepayment rate (CPR)	1.0% - 11.1% (5.0%)	(a)
		using a discounted cash flow	Constant default rate (CDR)	1.0% - 13.9% (8.7%)	(a)
		pricing model (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)	2.2% - 32.9% (7.6%)	
			Spread over the benchmark curve (b)	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				

(a) Level 3 residential mortgage-backed non-agency and asset-backed securities with fair values as of March 31, 2014 totaling $4,563 million and $611 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, 2013 were $4,672 million and $610 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 Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K. Certain Level 3 residential mortgage-backed non-agency and asset-backed securities with fair values as of March 31, 2014 of $671 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, 2013 were $686 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 consolidated Non-agency securitization.

(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, residential mortgage loans held for sale and other assets. 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 Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

(g)

Consisted of total Level 3 assets of $11,052 million and total Level 3 liabilities of $621 million as of March 31, 2014 and $10,635 million and $623 million as of December 31, 2013, respectively.

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 85 and Table 86. For more information regarding the valuation methodologies for assets measured at fair value on a nonrecurring basis, see Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

Table 85: Fair Value Measurements Nonrecurring (a)

	Fair Value		Gains (Losses) Three months ended	
In millions	March 31 2014	December 31 2013	March 31 2014	March 31 2013
Assets				
Nonaccrual loans	$ 58	$ 35	$ (8)	$ (10)
Loans held for sale	78	224	(2)	(3)
Equity investments	6	6		
Commercial mortgage servicing rights (b)		543		13
OREO and foreclosed assets	129	181	(12)	(19)
Long-lived assets held for sale	10	51	(4)	(16)
Total assets	$ 281	$ 1,040	$ (26)	$ (35)

(a) All Level 3 as of March 31, 2014 and December 31, 2013.

(b) As of January 1, 2014, PNC made an irrevocable election to measure all classes of commercial MSRs at fair value. Accordingly, beginning with the first quarter of 2014, commercial MSRs are measured at fair value on a recurring basis.

Quantitative information about the significant unobservable inputs within Level 3 nonrecurring assets follows.

Table 86: Fair Value Measurements Nonrecurring Quantitative Information

Level 3 Instruments Only

Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
March 31, 2014				
Assets				
Nonaccrual loans (a)	$ 45	Fair value of collateral	Loss severity	5.5% - 80.6% (24.3%)
Loans held for sale	78	Discounted cash flow	Spread over the benchmark curve (b)	52bps - 317bps (108bps)
			Embedded servicing value	.8% - 3.5% (2.2%)
Equity investments	6	Discounted cash flow	Market rate of return	6.5%
Other (c)	152	Fair value of property or collateral	Appraised value/sales price	Not meaningful
Total Assets	$ 281			
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 (d)	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			

(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 $13 million, OREO and foreclosed assets of $129 million and Long-lived assets held for sale of $10 million as of March 31, 2014. Comparably, as of December 31, 2013, Other included Nonaccrual loans of $14 million, OREO and foreclosed assets of $181 million and Long-lived assets held for sale of $51 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.

(d) As of January 1, 2014, PNC made an irrevocable election to measure all classes of commercial MSRs at fair value. Accordingly, beginning with the first quarter of 2014, commercial MSRs are measured at fair value on a recurring basis.

Financial Instruments Accounted For Under Fair Value Option

For more information regarding financial instruments we elected to measure at fair value under fair value option on our Consolidated Balance Sheet, see Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

The changes in fair value included in Noninterest income for items for which we elected the fair value option are included in the table below.

Table 87: Fair Value Option Changes in Fair Value (a)

	Gains (Losses)	
	Three months ended	
In millions	March 31 2014	March 31 2013
Assets		
Customer resale agreements	$ (1)	$ (2)
Trading loans		1
Commercial mortgage loans held for sale	2	1
Residential mortgage loans held for sale	79	63
Residential mortgage loans portfolio	11	6
BlackRock Series C Preferred Stock	(2)	60
Liabilities		
Other borrowed funds	(4)	

(a) The impact on earnings of offsetting hedged items or hedging instruments is not reflected in these amounts.

Fair values and aggregate unpaid principal balances of items for which we elected the fair value option follow.

Table 88: Fair Value Option Fair Value and Principal Balances

In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference
March 31, 2014			
Assets			
Customer resale agreements	$ 186	$ 176	$ 10
Trading loans	7	7	
Residential mortgage loans held for sale			
Performing loans	1,044	1,002	42
Accruing loans 90 days or more past due	3	3	
Nonaccrual loans	10	13	(3)
Total	1,057	1,018	39
Commercial mortgage loans held for sale (a)			
Performing loans	570	657	(87)
Nonaccrual loans	7	9	(2)
Total	577	666	(89)
Residential mortgage loans portfolio			
Performing loans	228	320	(92)
Accruing loans 90 days or more past due (b)	450	530	(80)
Nonaccrual loans	372	593	(221)
Total	1,050	1,443	(393)
Liabilities			
Other borrowed funds (c)	$ 181	$ 219	$ (38)
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)

(a) There were no accruing loans 90 days or more past due within this category at March 31, 2014 or December 31, 2013.
(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.

The following table provides additional information regarding the fair value and classification within the fair value hierarchy of financial instruments.

Table 89: Additional Fair Value Information Related to Financial Instruments

	Carrying	Fair Value			
In millions	Amount	Total	Level 1	Level 2	Level 3
March 31, 2014					
Assets					
Cash and due from banks	$ 4,723	$ 4,723	$ 4,723		
Short-term assets	17,047	17,047		$ 17,047	
Trading securities	2,381	2,381	1,265	1,084	$ 32
Investment securities	58,644	58,824	4,491	48,080	6,253
Trading loans	7	7		7	
Loans held for sale	2,102	2,103		1,052	1,051
Net loans (excludes leases)	187,137	188,374		544	187,830
Other assets	4,222	4,937(a)	196	1,796	2,945
Financial derivatives					
Designated as hedging instruments under GAAP	1,105	1,105		1,105	
Not designated as hedging instruments under GAAP	3,439	3,439	22	3,387	30
Total Assets	$ 280,807	$ 282,940	$ 10,697	$ 74,102	$ 198,141
Liabilities					
Demand, savings and money market deposits	$ 200,002	$ 200,002		$ 200,002	
Time deposits	22,380	22,391		22,391	
Borrowed funds	47,112	47,978	$ 806	45,689	$ 1,483
Financial derivatives					
Designated as hedging instruments under GAAP	284	284		284	
Not designated as hedging instruments under GAAP	3,418	3,418	9	2,969	440
Unfunded loan commitments and letters of credit	209	209			209
Total Liabilities	$ 273,405	$ 274,282	$ 815	$ 271,335	$ 2,132
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	4,975(a)	209	1,791	2,975
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	$ 278,044	$ 280,518	$ 10,576	$ 74,189	$ 195,753
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

(a)

Includes $850 million for Visa Class B common shares, which was estimated solely based upon the March 31, 2014 closing price for the Visa Class A common shares and the current Visa Class B common shares conversion rate. The Class B common shares are transferable only under limited circumstances, which could impact the aforementioned estimate, until they can be converted into Class A common shares. The comparable amount at December 31, 2013 was $971 million. For additional information, see Note 24 Commitments and Guarantees in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

The aggregate fair value of financial instruments in Table 89 does 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,
- mortgage servicing rights,
- retail branch networks,
- fee-based businesses, such as asset management and brokerage, and
- trademarks and brand names.

For more information regarding the fair value amounts for financial instruments and their classifications within the fair value hierarchy, see Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

The aggregate carrying value of our FHLB and FRB stock was $1.6 billion at both March 31, 2014 and December 31, 2013, which approximates fair value at each date.

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

GOODWILL

Goodwill by business segment consisted of the following:

Table 90: Goodwill by Business Segment (a)

In millions	March 31 2014	December 31 2013
Retail Banking	$ 5,795	$ 5,795
Corporate & Institutional Banking	3,215	3,215
Asset Management Group	64	64
Total	$ 9,074	9,074

(a) The Residential Mortgage Banking and Non-Strategic Assets Portfolio business segments did not have any goodwill allocated to them as of March 31, 2014 and December 31, 2013.

OTHER INTANGIBLE ASSETS

As of January 1, 2014, PNC made an irrevocable election to measure all classes of commercial MSRs at fair value, which precludes the recognition of valuation allowance or accumulated amortization. Refer to the Mortgage Servicing Rights section of this Note 9 for additional information regarding commercial mortgage servicing rights.

The gross carrying amount, accumulated amortization and net carrying amount of other intangible assets by major category consisted of the following:

Table 91: Other Intangible Assets

In millions	March 31 2014	December 31 2013
Customer-related and other intangibles		
Gross carrying amount	$ 1,671	$ 1,676
Accumulated amortization	(1,124)	(1,096)
Net carrying amount	$ 547	$ 580
Mortgage servicing rights (a)		
Gross carrying amount	$ 1,568	$ 2,620
Valuation allowance		(88)
Accumulated amortization		(896)

Net carrying amount	$ 1,568	$ 1,636
Total	$ 2,115	$ 2,216

(a) Upon the first quarter 2014 irrevocable election of fair value for commercial MSRs, the gross carrying amount of MSRs as of March 31, 2014 represents the fair value of both classes of MSRs.

Amortization expense on existing intangible assets follows:

Table 92: Amortization Expense on Existing Intangible Assets

In millions	
Three months ended March 31, 2014	$ 33
Three months ended March 31, 2013 (a)	65
Remainder of 2014	94
2015	110
2016	93
2017	79
2018	68
2019	57

(a) Includes amortization expense recorded during the first quarter 2013 for commercial MSRs. As of January 1, 2014, PNC made an irrevocable election to measure commercial MSRs at fair value, and, accordingly, amortization expense for commercial MSRs is no longer recorded.

Customer-Related and Other Intangible Assets

Our customer-related and other intangible assets have finite lives. Core deposit intangibles are amortized on an accelerated basis, whereas the remaining other intangible assets are amortized on a straight-line 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.

Changes in customer-related and other intangible assets during the first three months of 2014 follow:

Table 93: Summary of Changes in Customer-Related and Other Intangible Assets

In millions	Customer-Related
December 31, 2013	$ 580
Amortization	(33)
March 31, 2014	$ 547

Mortgage Servicing Rights

We recognize as an other intangible asset the right to service mortgage loans for others. MSRs are purchased or originated when loans are sold with servicing retained. 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 of the cumulative-effect adjustment to retained earnings was not material, and the valuation allowance associated with the commercial MSRs was reclassified to the gross carrying amount of commercial MSRs. We will recognize gains/(losses) on changes in the fair value of commercial MSRs as a result of the election. Commercial MSRs are subject to declines in value from actual or expected prepayment of the underlying loans and also from defaults. We manage this risk by economically hedging the fair value of commercial MSRs with securities and derivative instruments which are expected to increase (or decrease) in value when the value of commercial MSRs declines (or increases).

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 commercial MSRs accounted for at fair value during the first quarter 2014 follow:

Table 94: Commercial Mortgage Servicing Rights Accounted for at Fair Value

In millions	2014
January 1	$ 552
Additions:	
From loans sold with servicing retained	7
Purchases	7
Changes in fair value due to:	
Time and payoffs (a)	(23)
Other (b)	(14)
March 31	$ 529
Unpaid principal balance of loans serviced for others at March 31	$ 144,332

(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.

Prior to 2014, commercial MSRs were initially recorded at fair value and subsequently accounted for at the lower of amortized cost or fair value. These rights were substantially amortized in proportion to and over the period of estimated net servicing income of 5 to 10 years. Commercial MSRs were periodically evaluated for impairment. For purposes of impairment, the commercial MSRs were stratified based on asset type, which characterized the predominant risk of the underlying financial asset. If the carrying amount of any individual stratum exceeded its fair value, a valuation reserve was established with a corresponding charge to Corporate services on our Consolidated Income Statement.

Changes in commercial MSRs during the first quarter 2013, prior to the irrevocable fair value election, follow:

Table 95: Commercial Mortgage Servicing Rights Accounted for Under the Amortization Method

In millions	2013
Commercial Mortgage Servicing Rights Net Carrying Amount	

January 1	$ 420
Additions (a)	47
Amortization expense	(28)
Change in valuation allowance	13
March 31	$ 452
Commercial Mortgage Servicing Rights Valuation Allowance	
January 1	$ (176)
Provision	(4)
Recoveries	17
March 31	$ (163)

(a) Additions for the first three months of 2013 included $20 million from loans sold with servicing retained and $27 million from purchases of servicing rights from third parties.

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. Residential MSRs are subject to declines in value principally from actual or expected prepayment of the underlying loans and also from defaults. We manage this risk by economically hedging the fair value of residential MSRs with securities and derivative instruments which are expected to increase (or decrease) in value when the value of residential MSRs declines (or increases).

The fair value of residential MSRs is estimated by using a discounted 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.

Changes in the residential MSRs follow:

Table 96: Residential Mortgage Servicing Rights

In millions	2014	2013
January 1	$ 1,087	$ 650
Additions:		
From loans sold with servicing retained	23	37
Purchases	17	64
Changes in fair value due to:		
Time and payoffs (a)	(29)	(50)
Other (b)	(59)	78
March 31	$ 1,039	$ 779
Unpaid principal balance of loans serviced for others at March 31	$ 113,573	$ 120,490

(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.

The fair value of commercial and residential MSRs and significant inputs to the valuation models as of March 31, 2014 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 97: Commercial Mortgage Loan Servicing Rights Key Valuation Assumptions

Dollars in millions	March 31 2014	December 31 2013
Fair Value	$ 529	$ 552
Weighted-average life (years)	5.1	5.3
Weighted-average constant prepayment rate	8.04%	7.52%
Decline in fair value from 10% adverse change	$ 11	$ 12
Decline in fair value from 20% adverse change	$ 22	$ 23
Effective discount rate	6.70%	6.91%
Decline in fair value from 10% adverse change	$ 15	$ 18
Decline in fair value from 20% adverse change	$ 31	$ 35

Table 98: Residential Mortgage Loan Servicing Rights Key Valuation Assumptions

Dollars in millions	March 31 2014	December 31 2013

Fair value	$ 1,039	$ 1,087
Weighted-average life (years)	7.5	7.9
Weighted-average constant prepayment rate	8.34%	7.61%
Decline in fair value from 10% adverse change	$ 36	$ 34
Decline in fair value from 20% adverse change	$ 70	$ 67
Weighted-average option adjusted spread	10.23%	10.24%
Decline in fair value from 10% adverse change	$ 43	$ 47
Decline in fair value from 20% adverse change	$ 84	$ 91

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

Table 99: Fees from Mortgage Loan Servicing

In millions	2014	2013
Three months ended March 31	$ 129	$ 137

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 and residential MSRs are reported on our Consolidated Income Statement in the line items Corporate services and Residential mortgage, respectively.

NOTE 10 CAPITAL SECURITIES OF A SUBSIDIARY TRUST AND PERPETUAL TRUST SECURITIES

Capital Securities of a Subsidiary Trust

Our capital securities of a subsidiary trust (Trust) are described in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in our 2013 Form 10-K. 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.

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 in our 2013 Form 10-K.

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 Note 14 in our 2013 Form 10-K in the Perpetual Trust Securities section, and to other provisions similar to or in some ways more restrictive than those potentially imposed under that agreement.

Perpetual Trust Securities

Our perpetual trust securities are described in Note 14 in our 2013 Form 10-K. Our 2013 Form 10-K also includes additional information regarding the PNC Preferred Funding Trust I and Trust II Securities, including descriptions of replacement capital and dividend restriction covenants.

NOTE 11 CERTAIN EMPLOYEE BENEFIT AND STOCK BASED COMPENSATION PLANS

Pension And Postretirement Plans

As described in Note 15 Employee Benefit Plans in our 2013 Form 10-K, 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. 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.

The components of our net periodic pension and postretirement benefit cost for the first three months of 2014 and 2013, respectively, were as follows:

Table 100: Net Periodic Pension and Postretirement Benefits Costs

Three months ended March 31	Qualified Pension Plan		Nonqualified Retirement Plans		Postretirement Benefits	
In millions	2014	2013	2014	2013	2014	2013
Net periodic cost consists of:						
Service cost	$ 25	$ 28	$ 1	$ 1	$ 1	$ 1
Interest cost	47	42	3	3	4	4
Expected return on plan assets	(72)	(72)				
Amortization of prior service credit	(2)	(2)				(1)

Amortization of actuarial losses				22		1		2				
Net periodic cost/(benefit)	$	(2)	$	18	$	5	$	6	$	5	$	4

Stock Based Compensation Plans

As more fully described in Note 16 Stock Based Compensation Plans in our 2013 Form 10-K, we have long-term incentive award plans (Incentive Plans) that provide for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, incentive shares/performance units, restricted stock, restricted share units, other share-based awards and dollar-denominated awards to executives and, other than incentive stock options, to non-employee directors. Certain

Incentive Plan awards may be paid in stock, cash or a combination of stock and cash. We typically grant a substantial portion of our stock-based compensation awards during the first quarter of the year. As of March 31, 2014, no stock appreciation rights were outstanding.

Total compensation expense recognized related to all share-based payment arrangements during the first three months of 2014 and 2013 was $50 million and $41 million, respectively.

At March 31, 2014, there was $231 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

Beginning in 2014, PNC discontinued the use of stock options as a standard element of our long-term equity incentive compensation programs under our Incentive Plans and did not grant any options in the first quarter of 2014. Prior to 2014, options were 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 be paid by using previously owned shares.

For purposes of computing stock option expense for 2013, we estimated the fair value of stock options at the grant date 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 Black-Scholes model to determine the 2013 grant date fair value, as follows:

Table 101: Option Pricing Assumptions (a)

Weighted-average for the three months ended March 31	2013
Risk-free interest rate	.9%
Dividend yield	2.5
Volatility	34.0
Expected life	6.5 yrs.
Grant-date fair value	$ 16.35

(a) PNC did not grant any stock options in the first quarter of 2014.

There were no options granted in 2013 where the grant date fair value exceeded the market value. The following table represents the stock option activity for the first three months of 2014.

Table 102: Stock Option Rollforward

	PNC		PNC Options Converted From National City Options		Total	
In thousands, except weighted-average data	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2013	10,354	$ 57.57	544	$ 662.28	10,898	$ 87.75
Granted (a)						
Exercised	(1,907)	61.14			(1,907)	61.14
Cancelled	(33)	57.55	(8)	519.01	(41)	149.10
Outstanding at March 31, 2014	8,414	$ 56.76	536	$ 664.45	8,950	$ 93.15
Exercisable at March 31, 2014	8,165	$ 56.59	536	$ 664.45	8,701	$ 94.04

(a) PNC did not grant any stock options in the first quarter of 2014.

During the first three months of 2014, we issued approximately 1.4 million common 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.

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. 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.

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.

Table 103: 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, 2013	1,647	$ 63.49	3,483	$ 62.70
Granted	723	79.90	1,095	81.23
Vested/Released	(513)	63.64	(797)	63.63
Forfeited	(9)	64.21	(29)	65.28
March 31, 2014	**1,848**	**$ 69.86**	**3,752**	**$ 67.89**

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 incentive/performance units and restricted share unit activity follows:

Table 104: Nonvested Cash-Payable Incentive/Performance Units and Restricted Share Units Rollforward

In thousands	Cash-Payable Incentive/ Performance Units	Cash-Payable Restricted Share Units	Total
Outstanding at December 31, 2013	116	825	941
Granted	100	269	369
Vested and Released	(39)	(424)	(463)
Forfeited		(2)	(2)
Outstanding at March 31, 2014	177	668	845

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 March 31, 2014, the aggregate intrinsic value of all outstanding nonvested cash-payable incentive/performance units and restricted share units was $73 million.

NOTE 12 FINANCIAL DERIVATIVES

We use derivative financial instruments (derivatives) primarily to help manage exposure to interest rate, market and credit risk and reduce the effects that changes in interest rates may have on net income, fair value of assets and liabilities, and cash flows. We also enter into derivatives with customers to facilitate their risk management activities. Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional amount and an underlying as specified in the contract.

For more information regarding derivatives see Note 1 Accounting Policies and Note 17 Financial Derivatives in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

The following table presents the notional amounts and gross fair values of all derivative assets and liabilities held by PNC:

Table 105: Total Gross Derivatives

	March 31, 2014			December 31, 2013		
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	$ 37,458	$ 1,105	$ 284	$ 36,197	$ 1,189	$ 364
Derivatives not designated as hedging instruments under GAAP	340,473	3,439	3,418	345,059	3,604	3,570
Total gross derivatives	$ 377,931	$ 4,544	$ 3,702	$ 381,256	$ 4,793	$ 3,934

(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. Any nonperformance risk, including credit risk, is included in the determination of the estimated net fair value of the derivatives. 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.

Derivatives Designated As Hedging Instruments under GAAP

Certain derivatives used to manage interest rate and foreign exchange 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.

For additional information on derivatives designated as hedging instruments under GAAP see Note 17 Financial Derivatives in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

Further detail regarding the notional amounts and fair values related to derivatives designated in hedge relationships is presented in the following table:

Table 106: Derivatives Designated As Hedging Instruments under GAAP

	March 31, 2014			December 31, 2013		
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)	$ 18,124	$ 812	$ 155	$ 16,446	$ 871	$ 230
Pay-fixed swaps (c) (d)	4,081	24	77	4,076	54	66
Subtotal	$ 22,205	$ 836	$ 232	$ 20,522	$ 925	$ 296
Cash flow hedges:						
Receive-fixed swaps (c)	$ 14,298	$ 269	$ 34	$ 14,737	$ 264	$ 58
Forward purchase commitments						
Subtotal	$ 14,298	$ 269	$ 34	$ 14,737	$ 264	$ 58
Foreign exchange contracts:						
Net investment hedge	955		18	938		10
Total derivatives designated as hedging instruments	$ 37,458	$ 1,105	$ 284	$ 36,197	$ 1,189	$ 364

(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, 40% were based on 1-month LIBOR and 60% on 3-month LIBOR at March 31, 2014 compared with 43% and 57%, respectively, at December 31, 2013.
(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. 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. For these hedge relationships, we use statistical regression analysis to assess hedge effectiveness at both the inception of the hedge relationship and on an ongoing basis. There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness.

Further detail regarding gains (losses) on fair value hedge derivatives and related hedged items is presented in the following table:

Table 107: Gains (Losses) on Derivatives and Related Hedged Items Fair Value Hedges

			Three months ended March 31, 2014		Three months ended March 31, 2013	
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
Interest rate contracts	U.S. Treasury and Government Agencies Securities	Investment securities (interest income)	$ (30)	$ 31	$ 22	$ (23)
Interest rate contracts	Other Debt Securities	Investment securities (interest income)	1		2	(2)
Interest rate contracts	Subordinated debt	Borrowed funds (interest expense)	23	(29)	(68)	66
Interest rate contracts	Bank notes and senior debt	Borrowed funds (interest expense)	9	(10)	(65)	64
Total (a)			$ 3	$ (8)	$ (109)	$ 105

(a) The ineffective portion of the change in value of our fair value hedge derivatives resulted in net losses of $5 million for the first three months of 2014 compared with net losses of $4 million for the first three months of 2013.

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 March 31, 2014, we expect to reclassify from the amount currently reported in Accumulated other comprehensive income, net derivative gains of $228 million pretax, or $148 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 March 31, 2014. 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 March 31, 2014, 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 March 31, 2014 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 the first three months of 2014 and 2013, 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.

Further detail regarding gains (losses) on derivatives and related cash flows is presented in the following table:

Table 108: Gains (Losses) on Derivatives and Related Cash Flows Cash Flow Hedges (a) (b)

	Three months ended March 31	
In millions	2014	2013
Gains (Losses) on Derivatives Recognized in OCI (Effective Portion)	$ 72	$ 14
Less: Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)		
Interest income	72	106
Noninterest income	5	15
Total Gains (Losses) Reclassified from Accumulated OCI into Income (Effective Portion)	77	121
Net unrealized gains (losses) on cash flow hedge derivatives	$ (5)	$ (107)

(a) All cash flow hedge derivatives are interest rate contracts as of March 31, 2014 and March 31, 2013.

(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 the first three months of 2014 and 2013, there was no net investment hedge ineffectiveness.

Further detail on gains (losses) on net investment hedge derivatives is presented in the following table:

Table 109: Gains (Losses) on Derivatives Net Investment Hedges

In millions	Three months ended March 31 2014	2013
Gains (Losses) on Derivatives Recognized in OCI (Effective Portion)		
Foreign exchange contracts	$ (7)	$ 57

Derivatives Not Designated As Hedging Instruments under GAAP

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

For additional information on derivatives not designated as hedging instruments under GAAP see Note 17 Financial Derivatives in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

Further detail regarding the notional amounts and fair values related to derivatives not designated in hedge relationships is presented in the following table:

Table 110: Derivatives Not Designated As Hedging Instruments under GAAP

	March 31, 2014			December 31, 2013		
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 used for residential mortgage banking activities:						
Residential mortgage servicing						
Interest rate contracts:						
Swaps	$ 38,267	$ 589	$ 294	$ 37,424	$ 654	$ 360
Swaptions	1,448	19	19	845	18	18
Futures (c)	37,148			49,250		
Futures options	29,350	9	5	24,000	10	2
Mortgage-backed securities commitments	350	3		832		3
Subtotal	$ 106,563	$ 620	$ 318	$ 112,351	$ 682	$ 383
Loan sales						
Interest rate contracts:						
Futures (c)	$ 250			$ 350		
Bond options	200	$ 1		200	$ 1	
Mortgage-backed securities commitments	5,648	5	$ 7	5,173	26	$ 9
Residential mortgage loan commitments	2,144	18		1,605	13	
Subtotal	$ 8,242	$ 24	$ 7	$ 7,328	$ 40	$ 9
Subtotal	$ 114,805	$ 644	$ 325	$ 119,679	$ 722	$ 392
Derivatives used for commercial mortgage banking activities						
Interest rate contracts:						
Swaps	$ 2,977	$ 27	$ 47	$ 2,158	$ 23	$ 52
Swaptions	514	2	1	125		3
Futures (c)	9,020			4,598		
Futures options	36,750	13	4	45,500	15	4
Commercial mortgage loan commitments	524	9	4	673	20	11
Subtotal	$ 49,785	$ 51	$ 56	$ 53,054	$ 58	$ 70
Credit contracts:						
Credit default swaps	95			95		
Subtotal	$ 49,880	$ 51	$ 56	$ 53,149	$ 58	$ 70
Derivatives used for customer-related activities:						
Interest rate contracts:						
Swaps	$ 135,535	$ 2,476	$ 2,395	$ 134,408	$ 2,540	$ 2,445
Caps/floors Sold	4,845		16	4,789		11
Caps/floors Purchased	5,653	37		5,519	37	
Swaptions	2,413	48	32	2,354	49	51
Futures (c)	2,063			1,856		
Mortgage-backed securities commitments	3,230	4	3	1,515	4	3
Subtotal	$ 153,739	$ 2,565	$ 2,446	$ 150,441	$ 2,630	$ 2,510
Foreign exchange contracts	14,311	177	157	14,316	192	172
Credit contracts:						
Risk participation agreements	4,828	2	4	4,777	2	4
Subtotal	$ 172,878	$ 2,744	$ 2,607	$ 169,534	$ 2,824	$ 2,686

In millions	March 31, 2014 Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	December 31, 2013 Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Derivatives used for other risk management activities:						
Interest rate contracts:						
Swaps	$ 492			$ 511		
Futures (c)	1,005			838		
Subtotal	$ 1,497			$ 1,349		
Foreign exchange contracts	6			8		
Other contracts (d)	1,407		$ 430	1,340		$ 422
Subtotal	$ 2,910		$ 430	$ 2,697		$ 422
Total derivatives not designated as hedging instruments	$ 340,473	$ 3,439	$ 3,418	$ 345,059	$ 3,604	$ 3,570

(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 first quarter of 2014 and in the second and third quarters of 2013. Refer to Note 8 Fair Value for additional information on the Visa swaps.

Further detail regarding the gains (losses) on derivatives not designated in hedging relationships is presented in the following table:

Table 111: Gains (Losses) on Derivatives Not Designated As Hedging Instruments under GAAP

In millions	Three months ended March 31 2014	2013
Derivatives used for residential mortgage banking activities:		
Residential mortgage servicing		
Interest rate contracts	$ 53	$ (39)
Loan sales		
Interest rate contracts	1	85
Gains (losses) included in residential mortgage banking activities (a)	$ 54	$ 46
Derivatives used for commercial mortgage banking activities:		
Interest rate contracts (b) (c)	$ 20	$ 6
Credit contracts (c)		(1)
Gains (losses) from commercial mortgage banking activities	$ 20	$ 5
Derivatives used for customer-related activities:		
Interest rate contracts	$ (1)	$ 19
Foreign exchange contracts	24	39
Equity contracts		(3)
Credit contracts	1	(1)
Gains (losses) from customer-related activities (c)	$ 24	$ 54
Derivatives used for other risk management activities:		
Interest rate contracts	$ (4)	
Other contracts (d)	(8)	$ (59)
Gains (losses) from other risk management activities (c)	$ (12)	$ (59)
Total gains (losses) from derivatives not designated as hedging instruments	$ 86	$ 46

(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

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. The credit derivative underlying is based on the credit risk of a specific entity, entities, or an index. Detail regarding credit default swaps and risk participations sold follows.

Table 112: Credit Default Swaps (a)

	March 31, 2014		December 31, 2013	
Dollars in millions	Notional Amount	Weighted-Average Remaining Maturity In Years	Notional Amount	Weighted-Average Remaining Maturity In Years
Credit Default Swaps Purchased (b)				
Single name	$ 35	7.0	$ 35	7.3
Index traded	60	35.0	60	35.2
Total	$ 95	24.7	$ 95	24.9

(a) There were no credit default swaps sold as of March 31, 2014 and December 31, 2013.
(b) The fair value of credit default swaps purchased was less than $1 million as of March 31, 2014 and December 31, 2013.

The notional amount of these credit default swaps by credit rating is presented in the following table:

Table 113: Credit Ratings of Credit Default Swaps (a)

In millions	March 31, 2014	December 31, 2013
Credit Default Swaps Purchased		
Investment grade (b)	$ 95	$ 95
Total (c)	$ 95	$ 95

(a) There were no credit default swaps sold as of March 31, 2014 and December 31, 2013.
(b) Investment grade with a rating of BBB-/Baa3 or above based on published rating agency information.
(c) There were no subinvestment grade credit default swaps purchased as of March 31, 2014 and December 31, 2013. Subinvestment grade represents 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 114: Referenced/Underlying Assets of Credit Default Swaps

	March 31, 2014	December 31, 2013
Corporate Debt	37%	37%
Commercial mortgage-backed securities	63%	63%

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 110 and 111.

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 115: Risk Participation Agreements Sold

	March 31, 2014			December 31, 2013		
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	$ 2,822	$ (4)	6.0	$ 2,770	$ (4)	6.1

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 116: Internal Credit Ratings of Risk Participation Agreements Sold

	March 31, 2014	December 31, 2013
Pass (a)	99%	98%
Below pass (b)	1%	2%

(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 March 31, 2014, the exposure from these agreements would be $90 million based on the fair value of the underlying swaps, compared with $77 million at December 31, 2013.

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.

For additional information on derivative offsetting, counterparty credit risk, and contingent features see Note 17 Financial Derivatives in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

The following derivative Table 117 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of March 31, 2014 and December 31, 2013. 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 in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K. Refer to Note 17 Commitments and Guarantees for additional information related to resale and repurchase agreements offsetting.

Table 117: Derivative Assets and Liabilities Offsetting

March 31, 2014 In millions	Gross Fair Value Derivative Assets	Amounts Offset on the Consolidated Balance Sheet: Fair Value Offset Amount	Amounts Offset on the Consolidated Balance Sheet: Cash Collateral	Net Fair Value Derivative Assets	Securities Collateral Held Under Master Netting Agreements	Net Amounts
Derivative assets						
Interest rate contracts	$ 4,365	$ 2,302	$ 492	$ 1,571	$ 123	$ 1,448
Foreign exchange contracts	177	59	10	108		108
Credit contracts	2	1		1		1
Total derivative assets (a) (b)	$ 4,544	$ 2,362	$ 502	$ 1,680 (c)	$ 123	$ 1,557

March 31, 2014 In millions	Gross Fair Value Derivative Liabilities	Amounts Offset on the Consolidated Balance Sheet: Fair Value Offset Amount	Amounts Offset on the Consolidated Balance Sheet: Cash Collateral	Net Fair Value Derivative Liabilities	Securities Collateral Pledged Under Master Netting Agreements	Net Amounts
Derivative liabilities						
Interest rate contracts	$ 3,093	$ 2,287	$ 487	$ 319		$ 319
Foreign exchange contracts	175	72	32	71		71
Credit contracts	4	3	1			
Other contracts	430			430		430
Total derivative liabilities (a) (b)	$ 3,702	$ 2,362	$ 520	$ 820 (d)		$ 820

December 31, 2013 In millions	Gross Fair Value Derivative Assets	Amounts Offset on the Consolidated Balance Sheet: Fair Value Offset Amount	Amounts Offset on the Consolidated Balance Sheet: 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

December 31, 2013 In millions	Gross Fair Value Derivative Liabilities	Amounts Offset on the Consolidated Balance Sheet: Fair Value Offset Amount	Amounts Offset on the Consolidated Balance Sheet: 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

(a) There were no derivative assets and liabilities equity contracts as of March 31, 2014 and December 31, 2013.

(b) Included derivative assets and derivative liabilities as of March 31, 2014 totaling $243 million and $182 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, 2013 totaled $331 million and $224 million, respectively. Derivative assets and liabilities as of March 31, 2014 and December 31, 2013 related to exchange-traded interest rate contracts were not material. As of March 31, 2014 and December 31, 2013, 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 March 31, 2014, we held cash, U.S. government securities and mortgage-backed securities totaling $720 million under master netting and other collateral agreements to collateralize net derivative assets due from counterparties, and we have pledged cash totaling $561 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 March 31, 2014 was $732 million for which PNC had posted collateral of $537 million in the normal course of business. The maximum additional amount of collateral PNC would have been required to post if the credit-risk-related contingent features underlying these agreements had been triggered on March 31, 2014 would be $195 million.

NOTE 13 EARNINGS PER SHARE

Table 118: Basic and Diluted Earnings per Common Share

Three months ended March 31

In millions, except per share data	2014	2013
Basic		
Net income (a)	$ 1,060	$ 995
Less:		
Net income (loss) attributable to noncontrolling interests (a)	(2)	(8)
Preferred stock dividends and discount accretion and redemptions	70	75
Dividends and undistributed earnings allocated to nonvested restricted shares	3	4
Net income attributable to basic common shares	$ 989	$ 924
Basic weighted-average common shares outstanding	532	526
Basic earnings per common share (b)	$ 1.86	$ 1.76
Diluted		
Net income attributable to basic common shares	$ 989	$ 924
Less: Impact of BlackRock earnings per share dilution	6	5
Net income attributable to diluted common shares	$ 983	$ 919
Basic weighted-average common shares outstanding	532	526
Dilutive potential common shares (c) (d)	7	2
Diluted weighted-average common shares outstanding	539	528
Diluted earnings per common share (b)	$ 1.82	$ 1.74

(a) Prior period amounts have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.
(b) 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).
(c) Excludes stock options considered to be anti-dilutive of 1 million and 3 million for the three months ended March 31, 2014 and March 31, 2013, respectively.
(d)

Excludes warrants considered to be anti-dilutive of 17 million for the three months ended March 31, 2013. As of March 31, 2014, these warrants were considered to be dilutive.

Note 14 Total Equity And Other Comprehensive Income

Activity in total equity for the first three months of 2013 and 2014 follows.

Table 119: Rollforward of Total Equity

	Shareholders Equity								
In millions	Shares Outstanding Common Stock	Common Stock	Capital Surplus - Preferred Stock	Capital Surplus - Common Stock and Other	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	Total Equity
Balance at December 31, 2012	528	$ 2,690	$ 3,590	$ 12,193	$ 20,265	$ 834	$ (569)	$ 2,762	$ 41,765
Cumulative effect of adopting ASU 2014-01 (a)					(55)			10	(45)
Balance at January 1, 2013	528	$ 2,690	$ 3,590	$ 12,193	$ 20,210	$ 834	$ (569)	$ 2,772	$ 41,720
Net income (a)					1,003			(8)	995
Other comprehensive income (loss), net of tax						(67)			(67)
Cash dividends declared									
Common ($.40 per share)					(210)				(210)
Preferred					(67)				(67)
Preferred stock discount accretion			1		(1)				
Redemption of noncontrolling interests (b)					(7)			(368)	(375)
Common stock activity (c)				7					7
Treasury stock activity	1			(17)			17		
Other				(9)				30	21
Balance at March 31, 2013 (d)	529	$ 2,690	$ 3,591	$ 12,174	$ 20,928	$ 767	$ (552)	$ 2,426	$ 42,024
Balance at December 31, 2013	533	$ 2,698	$ 3,941	$ 12,416	$ 23,325	$ 436	$ (408)	$ 1,689	$ 44,097
Cumulative effect of adopting ASU 2014-01 (a)					(74)			14	(60)
Cumulative effect of adopting ASC 860-50 (e)					2				2
Balance at January 1, 2014	533	$ 2,698	$ 3,941	$ 12,416	$ 23,253	$ 436	$ (408)	$ 1,703	$ 44,039
Net income					1,062			(2)	1,060
Other comprehensive income (loss), net of tax						220			220
Cash dividends declared									
Common ($.44 per share)					(235)				(235)
Preferred					(68)				(68)
Preferred stock discount accretion			2		(2)				
Common stock activity (c)		2		28					30
Treasury stock activity	1			7			26		33
Other				(57)				(104)	(161)
Balance at March 31, 2014 (d)	534	$ 2,700	$ 3,943	$ 12,394	$ 24,010	$ 656	$ (382)	$ 1,597	$ 44,918

(a) Prior period amounts have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits. See Note 1 Accounting Policies for further detail of the adoption.

(b) 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 in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

(c) Common stock activity totaled less than .5 million shares issued.

(d) The par value of our preferred stock outstanding was less than $.5 million at each date and, therefore, is excluded from this presentation.

(e) Amount represents the cumulative impact of our January 1, 2014 irrevocable election to prospectively measure all classes of commercial MSRs at fair value. See Note 1 Accounting Policies and Note 9 Goodwill and Other Intangible Assets for more information on this election.

Table 120: Other Comprehensive Income

Details of other comprehensive income (loss) are as follows:

In millions	Pretax	Tax	After-tax
Net unrealized gains (losses) on non-OTTI securities			
Balance at December 31, 2012	$ 1,858	$ (681)	$ 1,177
First Quarter 2013 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	(157)	57	(100)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	14	(5)	9
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	(1)		(1)
Net unrealized gains (losses) on non-OTTI securities	(170)	62	(108)
Balance at March 31, 2013	1,688	(619)	1,069
Balance at December 31, 2013	647	(238)	409
First Quarter 2014 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	201	(74)	127
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	7	(3)	4
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	5	(2)	3
Net unrealized gains (losses) on non-OTTI securities	189	(69)	120
Balance at March 31, 2014	$ 836	$ (307)	$ 529
Net unrealized gains (losses) on OTTI securities			
Balance at December 31, 2012	$ (195)	$ 72	$ (123)
First Quarter 2013 activity			
Increase in net unrealized gains (losses) on OTTI securities	131	(47)	84
Less: OTTI losses realized on securities reclassified to noninterest income	(10)	4	(6)
Net unrealized gains (losses) on OTTI securities	141	(51)	90
Balance at March 31, 2013	(54)	21	(33)
Balance at December 31, 2013	36	(12)	24
First Quarter 2014 activity			
Increase in net unrealized gains (losses) on OTTI securities	64	(24)	40
Less: OTTI losses realized on securities reclassified to noninterest income	(2)	1	(1)
Net unrealized gains (losses) on OTTI securities	66	(25)	41
Balance at March 31, 2014	$ 102	$ (37)	$ 65
Net unrealized gains (losses) on cash flow hedge derivatives			
Balance at December 31, 2012	$ 911	$ (333)	$ 578
First Quarter 2013 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	14	(5)	9
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	87	(32)	55
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	19	(7)	12
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	15	(5)	10
Net unrealized gains (losses) on cash flow hedge derivatives	(107)	39	(68)
Balance at March 31, 2013	804	(294)	510
Balance at December 31, 2013	384	(141)	243
First Quarter 2014 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	72	(26)	46
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	69	(25)	44
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	3	(1)	2
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	5	(2)	3
Net unrealized gains (losses) on cash flow hedge derivatives	(5)	2	(3)
Balance at March 31, 2014	$ 379	$ (139)	$ 240

In millions	Pretax	Tax	After-tax
Pension and other postretirement benefit plan adjustments			
Balance at December 31, 2012	$ (1,226)	$ 449	$ (777)
First Quarter 2013 activity			
Net pension and other postretirement benefit plan activity	25	(9)	16
Amortization of actuarial loss (gain) reclassified to other noninterest expense	24	(9)	15
Amortization of prior service cost (credit) reclassified to other noninterest expense	(3)	1	(2)
Total First Quarter 2013 activity	46	(17)	29
Balance at March 31, 2013	(1,180)	432	(748)
Balance at December 31, 2013	(374)	137	(237)
First Quarter 2014 activity			
Net pension and other postretirement benefit plan activity	83	(31)	52
Amortization of actuarial loss (gain) reclassified to other noninterest expense	1		1
Amortization of prior service cost (credit) reclassified to other noninterest expense	(2)	1	(1)
Total First Quarter 2014 activity	82	(30)	52
Balance at March 31, 2014	$ (292)	$ 107	$ (185)
Other			
Balance at December 31, 2012	$ (41)	$ 20	$ (21)
First Quarter 2013 Activity			
PNC s portion of BlackRock s OCI	(4)	(5)	(9)
Net investment hedge derivatives (b)	57	(21)	36
Foreign currency translation adjustments	(59)	22	(37)
Total First Quarter 2013 activity	(6)	(4)	(10)
Balance at March 31, 2013	(47)	16	(31)
Balance at December 31, 2013	(20)	17	(3)
First Quarter 2014 Activity			
PNC s portion of BlackRock s OCI	11	(4)	7
Net investment hedge derivatives (b)	(7)	3	(4)
Foreign currency translation adjustments	7		7
Total First Quarter 2014 activity	11	(1)	10
Balance at March 31, 2014	$ (9)	$ 16	$ 7

(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.

Table 121: Accumulated Other Comprehensive Income (Loss) Components

	March 31, 2014		December 31, 2013	
In millions	Pretax	After-tax	Pretax	After-tax
Net unrealized gains (losses) on non-OTTI securities	$ 836	$ 529	$ 647	$ 409
Net unrealized gains (losses) on OTTI securities	102	65	36	24
Net unrealized gains (losses) on cash flow hedge derivatives	379	240	384	243
Pension and other postretirement benefit plan adjustments	(292)	(185)	(374)	(237)
Other	(9)	7	(20)	(3)
Accumulated other comprehensive income (loss)	$ 1,016	$ 656	$ 673	$ 436

NOTE 15 INCOME TAXES

The net operating loss carryforwards at March 31, 2014 and December 31, 2013 follow:

Table 122: Net Operating Loss Carryforwards and Tax Credit Carryforwards

In millions	March 31 2014	December 31 2013
Net Operating Loss Carryforwards:		
Federal	$ 1,096	$ 1,116
State	2,844	2,958
Tax Credit Carryforwards:		
Federal	$ 171	$ 221
State	7	7

The federal net operating loss carryforward expires in 2032. The state net operating loss carryforwards will expire from 2014 to 2031. The majority of the tax credit carryforwards expire in 2033. All federal and most state net operating loss and credit carryforwards are from acquired entities and utilization is subject to various statutory limitations. It is anticipated that the company will be able to fully utilize its carryforwards for federal tax purposes, but a valuation allowance of $56 million has been recorded against certain state tax carryforwards as of March 31, 2014. ASU 2013-11, which was adopted as of January 1, 2014, requires entities to present an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryover. If these tax positions were successfully challenged by a state, the state net operating losses listed above could be reduced by $457 million.

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 2004 through 2008.

The Company had unrecognized tax benefits of $109 million at March 31, 2014 and $110 million at December 31, 2013. At March 31, 2014, $87 million of unrecognized tax benefits, if recognized, would favorably impact the effective income tax rate.

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 $65 million within the next twelve months.

ASU 2014-01 was adopted effective January 1, 2014. Under this standard, amortization of qualified low income housing

tax credit investments is reported within income tax expense. Certain prior period amounts including income tax provision have been updated to reflect the adoption.

NOTE 16 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 16 as well as those matters disclosed in Note 23 Legal Proceedings in Part II, Item 8 of our 2013 Form 10-K (such prior disclosure referred to as Prior Disclosure)). For Disclosed Matters where we are able to estimate such possible losses or ranges of possible losses, as of March 31, 2014, we estimate that it is reasonably possible that we could incur losses in an aggregate amount of up to approximately $725 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.

The following updates our disclosure of legal proceedings from that provided in Prior Disclosure.

Overdraft Litigation

With respect to the two cases 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), *Dasher v. RBC Bank* and *Avery v. RBC Bank*, we filed a motion asking the U.S. Court of Appeals for the Eleventh Circuit to reconsider its decision in February 2014 affirming the order of the MDL Court denying arbitration. The court of appeals denied our motion in March 2014. In April 2014, we filed a motion asking the court of appeals to stay its ruling pending the filing of a petition for a writ of certiorari with the U.S. Supreme Court. The court of appeals granted our motion later in April 2014 and stayed its ruling until July 2, 2014. If a petition for a writ of certiorari is filed with the Supreme Court before that date, the stay will continue until final disposition of the case by the Supreme Court.

FHLB

In March 2014, PNC and the Federal Home Loan Bank of Chicago reached an agreement in principle to settle the lawsuit

pending in the Circuit Court of Cook County, Illinois under the caption *Federal Home Loan Bank of Chicago v. Bank of America Funding Corp., et al.* (Case No. 10CH45033). The settlement remains subject, among other things, to final documentation. The amount of the settlement is not material to PNC.

Lender Placed Insurance Litigation

In February 2014, the plaintiff in *Lauren vs. PNC Bank, N.A*., *et al*, (Case No. 2:13-cv-00762-TFM), now pending in the United States District Court for the Southern District of Ohio, moved to amend her complaint to, among other things, assert a nationwide RICO claim on behalf of the class. The motion is pending.

In March 2014, an additional class action complaint (*Tighe v. PNC Bank, N.A., et al.*, Case No. 14-CV-2017) was filed in the United States District Court for the Southern District of New York against PNC Bank, Alpine Indemnity Limited, a reinsurance subsidiary of PNC, ASIC and its parent, Assurant, Inc. The allegations of this 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 Texas statutes pertaining to deceptive and unfair trade practices. These plaintiffs also assert claims under the federal TILA and RICO statutes. The plaintiff seeks a nationwide class on all claims except the state law statutory claim, for which they seek to certify a subclass of Texas residents.

Mortgage Repurchase Litigation

In March 2014, we filed a motion to dismiss the complaint in *Residential Funding Company, LLC v. PNC Bank, N.A., et al.* (Civil No. 13-3498-JRT-JSM) pending in the United States District Court for the District of Minnesota. Residential Funding Company then filed an amended complaint, as well as a motion to transfer the lawsuit to the United States Bankruptcy Court for the Southern District of New York. In April 2014, we moved to dismiss the amended complaint.

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 protection, fair lending, mortgage origination and servicing, mortgage and non mortgage-related insurance and reinsurance, municipal finance activities, conduct by broker-dealers, and participation in government insurance or guarantee programs, some of which are described in Prior Disclosure. These inquiries, including those described in Prior Disclosure, 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.

Our practice is to cooperate fully with regulatory and governmental investigations, audits and other inquiries, including those described in Prior Disclosure.

Other

In addition to the proceedings or other matters described above and in Prior Disclosure, 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 17 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 17 COMMITMENTS AND GUARANTEES

Equity Funding and Other Commitments

During the first quarter of 2014, financial support to existing direct and indirect investments of $16 million was provided. Of this amount, $6 million was funded to satisfy commitments to various private equity investments. Support to direct investments generally provided growth financing.

Unfunded obligations at March 31, 2014 included unfunded commitments to various private equity investments of $153 million and additional obligations to direct investments of $6 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 123: Net Outstanding Standby Letters of Credit

Dollars in billions	March 31 2014	December 31 2013
Net outstanding standby letters of credit (a)	$ 10.6	$ 10.5
Internal credit ratings (as a percentage of portfolio):		
Pass (b)	96%	96%
Below pass (c)	4%	4%

(a) The amounts above exclude participations in standby letters of credit of $3.4 billion and $3.3 billion to other financial institutions as of March 31, 2014 and December 31, 2013, respectively. The amounts above include $6.3 billion and $6.6 billion which support remarketing programs at March 31, 2014 and December 31, 2013, 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 March 31, 2014 had terms ranging from less than 1 year to 8 years.

As of March 31, 2014, assets of $1.9 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 $207 million at March 31, 2014.

Standby Bond Purchase Agreements and Other Liquidity Facilities

We enter into standby bond purchase agreements to support municipal bond obligations. At March 31, 2014, the aggregate of our commitments under these facilities was $1.0 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 March 31, 2014.

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 2014. 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). Our 2013 Form 10-K has additional information regarding the October 2007 Visa restructuring, our involvement with judgment and loss sharing agreements with Visa and certain other banks, and the status of pending interchange litigation. See also Note 23 Legal Proceedings in our 2013 Form 10-K for information on interchange litigation. Additionally, we continue to have an obligation to indemnify Visa for judgments and settlements for the remaining specified litigation.

Recourse and Repurchase Obligations

As discussed in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities, PNC has sold commercial mortgage, residential mortgage and home equity loans/ lines of credit 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 both March 31, 2014 and

December 31, 2013, the unpaid principal balance outstanding of loans sold as a participant in these programs was $11.7 billion. The potential maximum exposure under the loss share arrangements was $3.6 billion at both March 31, 2014 and December 31, 2013.

We maintain a reserve for estimated losses based upon our exposure. The reserve for losses under these programs totaled $33 million as of both March 31, 2014 and December 31, 2013, and is included in Other liabilities on our Consolidated Balance Sheet. The comparable reserve as of March 31, 2013 was $42 million.

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 124: Analysis of Commercial Mortgage Recourse Obligations

In millions	2014	2013
January 1	$ 33	$ 43
Reserve adjustments, net		(1)
March 31	$ 33	$ 42

Residential Mortgage Loan and Home Equity Loan/ Line of Credit 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.

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 March 31, 2014 and December 31, 2013, the total indemnification and repurchase liability for estimated losses on indemnification and repurchase claims totaled $122 million and $153 million, respectively, and was included in Other liabilities on the Consolidated Balance Sheet. An analysis of the changes in this liability during 2014 and 2013 follows:

Table 125: Analysis of Indemnification and Repurchase Liability for Asserted Claims and Unasserted Claims

	2014			2013		
In millions	Residential Mortgages (a)	Home Equity Loans/ Lines (b)	Total	Residential Mortgages (a)	Home Equity Loans/ Lines (b)	Total
January 1	$ 131	$ 22	$ 153	$ 614	$ 58	$ 672
Reserve adjustments, net	(19)	3	(16)	4	(3)	1
Losses loan repurchases and private investor settlements	(9)	(6)	(15)	(96)	(30)	(126)
March 31	$ 103	$ 19	$ 122	$ 522	$ 25	$ 547

(a) Repurchase obligation associated with sold loan portfolios of $90.2 billion and $101.3 billion at March 31, 2014 and March 31, 2013, respectively.

(b) Repurchase obligation associated with sold loan portfolios of $3.6 billion and $3.9 billion at March 31, 2014 and March 31, 2013, respectively. PNC is no longer engaged in the brokered home equity lending 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 March 31, 2014 and 2013. 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 March 31, 2014, 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 $87 million for our portfolio of residential mortgage loans sold. At March 31, 2014, 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 126: Reinsurance Agreements Exposure (a)

In millions	March 31 2014	December 31 2013
Accidental Death & Dismemberment	$ 1,867	$ 1,902
Credit Life, Accident & Health	570	621
Lender Placed Hazard (b)	2,645	2,679
Borrower and Lender Paid Mortgage Insurance	86	133
Maximum Exposure	$ 5,168	$ 5,335
Percentage of reinsurance agreements:		
Excess of Loss Mortgage Insurance	1%	2%
Quota Share	99%	98%
Maximum Exposure to Quota Share Agreements with 100% Reinsurance	$ 569	$ 620

(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 the first three months 2014 and 2013 follows:

Table 127: Reinsurance Reserves Rollforward

In millions	2014	2013
January 1	$ 32	$ 61
Paid Losses	(7)	(12)
Net Provision	3	5
March 31	$ 28	$ 54

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 March 31, 2014, 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 128 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 128. The amounts reported in Table 128 exclude the fair value adjustment on the structured resale agreements of $10 million and $11 million at March 31, 2014 and December 31, 2013,

respectively, that we have elected to account for at fair value. Refer to Note 8 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 in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K. Refer to Note 12 Financial Derivatives for additional information related to offsetting of financial derivatives.

Table 128: 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					
March 31, 2014	$ 990		$ 990	$ 901	$89
December 31, 2013	1,542		1,542	1,453	89

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					
March 31, 2014	$ 3,184		$ 3,184	$ 2,313	$ 871
December 31, 2013	4,183		4,183	3,166	1,017

(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 March 31, 2014 and December 31, 2013, 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 March 31, 2014 and December 31, 2013, 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 March 31, 2014 and December 31, 2013, which is included in Other Liabilities on the Consolidated Balance Sheet.
(e) These amounts include overnight repurchase agreements of $871 million and $966 million at March 31, 2014 and December 31, 2013, respectively, entered into with municipalities, pension plans, and certain trusts and insurance companies as well as certain long term repurchase agreements of zero and $50 million at March 31, 2014 and December 31, 2013, 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.

NOTE 18 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 with the current period.

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. 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.

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 March 31, 2014, our economic interest in BlackRock was 22%.

PNC received cash dividends from BlackRock of $71 million and $63 million during the first three months of 2014 and 2013, respectively.

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/commercial real estate loan and lease portfolio. We obtained a significant portion of these non-strategic assets through acquisitions of other companies.

Table 129: Results Of Businesses

Three months ended March 31 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Non-Strategic Assets Portfolio	Other (a)	Consolidated (a)
2014								
Income Statement								
Net interest income	$ 980	$ 903	$ 71	$ 40		$ 142	$ 59	$ 2,195
Noninterest income	514	364	199	166	$ 160	6	173	1,582
Total revenue	1,494	1,267	270	206	160	148	232	3,777
Provision for credit losses (benefit)	145	(13)	12	(1)		(52)	3	94
Depreciation and amortization	44	31	10	3			93	181
Other noninterest expense	1,056	457	189	210		26	145	2,083
Income (loss) before income taxes and noncontrolling interests	249	792	59	(6)	160	174	(9)	1,419
Income taxes (benefit)	91	269	22	(2)	37	64	(122)	359
Net income (loss)	$ 158	$ 523	$ 37	$ (4)	$ 123	$ 110	$ 113	$ 1,060
Inter-segment revenue	$ 1	$ (2)	$ 3	$ 4	$ 4	$ (3)	$ (7)	
Average Assets (b)	$ 75,920	$ 117,937	$ 7,599	$ 8,777	$ 6,272	$ 8,889	$ 94,168	$ 319,562
2013								
Income Statement								
Net interest income	$ 1,049	$ 926	$ 73	$ 48		$ 203	$ 90	$ 2,389
Noninterest income	434	385	182	243	$ 138	16	168	1,566
Total revenue	1,483	1,311	255	291	138	219	258	3,955
Provision for credit losses (benefit)	162	14	5	20		42	(7)	236
Depreciation and amortization	47	33	10	3			82	175
Other noninterest expense	1,084	447	173	197		52	240	2,193
Income (loss) before income taxes and noncontrolling interests	190	817	67	71	138	125	(57)	1,351
Income taxes (benefit)	70	276	24	26	30	46	(116)	356
Net income	$ 120	$ 541	$ 43	$ 45	$ 108	$ 79	$ 59	$ 995
Inter-segment revenue		$ 6	$ 3	$ 1	$ 4	$ (2)	$ (12)	
Average Assets (b)	$ 74,116	$ 111,671	$ 7,131	$ 10,803	$ 5,859	$ 10,735	$ 83,051	$ 303,366

(a) Prior period amounts have been updated to reflect first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.
(b) Period-end balances for BlackRock.

Note 19 Subsequent Events

On April 28, 2014, PNC issued $750 million of subordinated notes with a maturity date of April 29, 2024. Interest is payable semi-annually, at a fixed rate of 3.90% on April 29 and October 29 of each year, beginning on October 29, 2014.

Statistical Information (Unaudited)

The PNC Financial Services Group, Inc.

Average Consolidated Balance Sheet And Net Interest Analysis

Taxable-equivalent basis	First Quarter 2014			Fourth Quarter 2013		
Dollars in millions	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ 21,823	$ 143	2.61%	$ 22,327	$ 150	2.68%
Non-agency	5,375	66	4.91	5,539	71	5.14
Commercial mortgage-backed	4,474	42	3.81	4,460	42	3.83
Asset-backed	5,593	25	1.79	5,814	28	1.92
U.S. Treasury and government agencies	4,169	13	1.30	2,507	9	1.36
State and municipal	2,652	32	4.78	2,275	25	4.31
Other debt	2,505	15	2.39	2,523	15	2.30
Corporate stock and other	409		.10	359		.15
Total securities available for sale	47,000	336	2.86	45,804	340	2.96
Securities held to maturity						
Residential mortgage-backed	5,995	53	3.55	5,726	49	3.42
Commercial mortgage-backed	2,748	28	4.09	3,153	34	4.28
Asset-backed	1,004	4	1.51	1,047	4	1.57
U.S. Treasury and government agencies	240	2	3.77	238	2	3.82
State and municipal	1,055	15	5.61	1,056	15	5.65
Other	337	3	3.00	341	3	4.20
Total securities held to maturity	11,379	105	3.68	11,561	107	3.72
Total investment securities	58,379	441	3.02	57,365	447	3.11
Loans						
Commercial	89,517	784	3.50	88,185	795	3.53
Commercial real estate	21,652	228	4.20	20,587	236	4.50
Equipment lease financing	7,470	68	3.64	7,428	69	3.74
Consumer	63,093	662	4.26	63,203	684	4.29
Residential real estate	14,849	189	5.09	15,180	196	5.18
Total loans	196,581	1,931	3.95	194,583	1,980	4.02
Interest-earning deposits with banks	12,157	7	.23	10,455	6	.26
Loans held for sale	1,949	23	4.71	2,225	31	5.40
Federal funds sold and resale agreements	1,416	1	.32	864	2	.79
Other	5,296	53	4.02	4,993	58	4.51
Total interest-earning assets/interest income	275,778	2,456	3.58	270,485	2,524	3.69
Noninterest-earning assets:						
Allowance for loan and lease losses	(3,591)			(3,667)		
Cash and due from banks	3,890			3,904		
Other	43,485			43,346		
Total assets	$ 319,562			$ 314,068		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 74,034	32	.17	$ 73,534	33	.18
Demand	42,635	5	.05	41,151	4	.05
Savings	11,408	2	.08	11,010	2	.08
Retail certificates of deposit	20,538	38	.75	21,138	41	.76
Time deposits in foreign offices and other time	2,069	1	.18	2,013	1	.17
Total interest-bearing deposits	150,684	78	.21	148,846	81	.22
Borrowed funds						
Federal funds purchased and repurchase agreements	4,250	1	.11	4,120	2	.14

Federal Home Loan Bank borrowings	13,100	17	.50	11,348	14	.48
Bank notes and senior debt	13,327	50	1.49	12,252	47	1.51
Subordinated debt	8,040	51	2.54	7,900	52	2.63
Commercial paper	4,931	3	.28	5,297	3	.26
Other	2,740	15	2.20	2,156	14	2.44
Total borrowed funds	46,388	137	1.18	43,073	132	1.21
Total interest-bearing liabilities/interest expense	197,072	215	.44	191,919	213	.44
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	67,679			68,193		
Allowance for unfunded loan commitments and letters of credit	241			236		
Accrued expenses and other liabilities	10,123			10,622		
Equity	44,447			43,098		
Total liabilities and equity	$ 319,562			$ 314,068		
Interest rate spread			3.14			3.25
Impact of noninterest-bearing sources			.12			.13
Net interest income/margin		$ 2,241	3.26%		$ 2,311	3.38%

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.

Third Quarter 2013			Second Quarter 2013			First Quarter 2013		
Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
$ 23,674	$ 140	2.36%	$ 24,339	$ 152	2.50%	$ 25,168	$ 182	2.90%
5,862	83	5.70	5,889	82	5.51	6,025	81	5.40
4,349	42	3.82	3,855	38	4.00	3,745	38	4.02
5,962	28	1.87	5,919	27	1.80	5,731	27	1.92
2,013	10	1.90	2,074	7	1.37	2,715	11	1.65
2,354	20	4.24	2,182	24	4.48	2,189	28	4.93
2,630	15	2.38	2,728	17	2.39	2,649	17	2.58
339		.12	304		.14	368		.12
47,183	338	2.91	47,290	347	2.93	48,590	384	3.16
3,794	37	3.92	3,833	31	3.26	4,146	36	3.44
3,276	35	4.29	3,521	38	4.34	3,747	44	4.71
1,064	4	1.59	978	4	1.74	826	4	1.80
236	3	3.81	233	2	3.80	231	2	3.77
658	13	5.55	640	7	4.27	639	7	4.23
346	3	2.90	349	3	2.89	352	2	2.82
9,374	95	3.86	9,554	85	3.57	9,941	95	3.82
56,557	433	3.06	56,844	432	3.04	58,531	479	3.27
86,456	800	3.62	86,015	807	3.71	83,476	841	4.03
19,558	232	4.64	18,860	231	4.84	18,850	238	5.05
7,296	68	3.75	7,350	82	4.41	7,241	73	4.05
62,277	677	4.31	61,587	676	4.40	61,411	707	4.67
14,918	187	5.00	14,794	190	5.13	15,121	200	5.29
190,505	1,964	4.06	188,606	1,986	4.19	186,099	2,059	4.45
4,626	3	.22	2,063	1	.28	2,410	2	.25
3,071	41	5.34	3,072	32	4.22	3,279	53	6.49
664	2	1.10	1,141	2	.61	1,176	2	.74
4,183	48	4.54	4,376	56	5.26	4,685	56	4.79
259,606	2,491	3.79	256,102	2,509	3.91	256,180	2,651	4.15
(3,761)			(3,821)			(3,937)		
3,984			3,869			4,055		
43,371			45,783			47,068		
$ 303,200			$ 301,933			$ 303,366		
$ 70,557	32	.18	$ 69,123	30	.18	$ 69,003	33	.19
39,866	5	.05	40,172	5	.05	39,372	4	.04
11,007	3	.10	11,124	2	.10	10,671	3	.10
21,859	43	.79	22,641	47	.82	23,488	49	.85
1,804	1	.22	2,164	2	.43	2,267	4	.61
145,093	84	.23	145,224	86	.24	144,801	93	.26
2,967	1	.15	4,132	1	.14	4,328	2	.16
8,208	10	.48	7,218	10	.53	7,657	11	.61
11,256	49	1.71	10,886	47	1.71	10,469	48	1.83
7,334	53	2.89	7,003	49	2.78	7,249	51	2.83
7,109	4	.22	7,263	4	.22	7,967	5	.25
1,792	13	2.91	2,099	14	2.62	2,057	12	2.28

38,666	130	1.33	38,601	125	1.28	39,727	129	1.30
183,759	214	.46	183,825	211	.46	184,528	222	.48
66,834			64,749			64,850		
242			238			249		
10,327			10,890			11,858		
42,038			42,231			41,881		
$ 303,200			$ 301,933			$ 303,366		
		3.33			3.45			3.67
		.14			.13			.14
	$ 2,277	3.47%		$ 2,298	3.58%		$ 2,429	3.81%

Loan fees for the three months ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013 were $59 million, $63 million, $57 million, $58 million and $52 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 three months ended March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013 and March 31, 2013 were $46 million, $45 million, $43 million, $40 million and $40 million, respectively.

Estimated Pro forma Fully Phased-In Basel III Common Equity Tier 1 Capital Ratio 2013 Periods (a)

	Pro forma Fully Phased-In Basel III (b)	
	December 31	March 31
Dollars in millions	2013	2013
Common stock, related surplus and retained earnings, net of treasury stock	$ 38,031	$ 35,305
Less regulatory capital adjustments:		
Goodwill and disallowed intangibles, net of deferred tax liabilities	(9,321)	(9,412)
Basel III total threshold deductions	(1,386)	(2,076)
Accumulated other comprehensive income (c)	196	289
All other adjustments (d)	(64)	(580)
Estimated Common equity Tier 1 capital	$ 27,456	$ 23,526
Estimated Basel III standardized approach risk-weighted assets (e)	$ 291,977	$ N/A
Estimated Basel III advanced approaches risk-weighted assets (f)	$ 290,080	$ 293,810
Estimated Basel III Common equity Tier 1 capital ratio	9.4%	8.0%
Risk-weighted assets utilized	Standardized	Advanced

(a) Amounts have not been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.
(b) See Basel III Capital Ratios discussion in the Capital portion of the Consolidated Balance Sheet Review section of the Financial Review in Part I, Item 2 of this Report.
(c) Represents net adjustments related to accumulated other comprehensive income for securities currently and previously held as available for sale, as well as pension and other postretirement plans.
(d) Includes adjustments as required based on whether the standardized approach or advanced approaches is utilized.
(e) Basel III standardized approach risk-weighted assets were estimated based on the standardized approach rules and include credit and market risk.
(f) Basel III advanced approaches risk-weighted assets were estimated based on the advanced approaches rules, and include credit, market and operational risk.

2013 Basel I Tier 1 Common Capital Ratio (a) (b)

	December 31	March 31
Dollars in millions	2013	2013
Basel I Tier 1 common capital	$ 28,484	$ 25,680
Basel I risk-weighted assets	272,169	261,491
Basel I Tier 1 common capital ratio	10.5%	9.8%

(a) Effective January 1, 2014, the Basel I Tier 1 common capital ratio no longer applies to PNC (except for stress testing purposes). Our 2013 Form 10-K included additional information regarding our Basel I capital ratios.
(b) Amounts have not been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to low income housing tax credits.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information set forth in Note 16 Legal Proceedings in the Notes To Consolidated Financial Statements under Part I, Item 1 of this Report, which is incorporated by reference in response to this item.

ITEM 1A. RISK FACTORS

There are no material changes from any of the risk factors previously disclosed in PNC s 2013 Form 10-K in response to Part I, Item 1A.

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

(c) Details of our repurchases of PNC common stock during the first quarter of 2014 are included in the following table:

In thousands, except per share data

2014 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)
January 1 31	20	$ 76.95		21,551
February 1 28	440	$ 80.25		21,551
March 1 31	636	$ 85.68	582	20,969
Total	1,096	$ 83.34		

(a) Includes 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 our 2013 Annual Report on Form 10-K include additional information regarding our employee benefit plans that use PNC common stock.

(b) Our current stock repurchase program authorization 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 capital and regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, and contractual and regulatory limitations, including the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve and our primary bank regulators as part of the CCAR process. See Capital and Liquidity Actions in the Executive Summary portion of the Financial Review section included in Part I, Item 2 of this Report for more information on the share repurchase programs under the existing common stock repurchase authorization referenced above for the period April 1, 2014 through March 31, 2015 included in the 2014 capital plan accepted by the Federal Reserve. The 582,000 shares repurchased in open-market transactions during March 2014 to mitigate the financial impact of employee benefit plan transactions were not repurchased under the share repurchase programs included in the 2014 capital plan.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

10.49	Form of Time-Sharing Agreement between PNC and certain executives
	Incorporated by reference to Exhibit 10.49 of PNC s Current Report on Form 8-K filed April 4, 2014
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101	Interactive Data File (XBRL)

You can obtain copies of these Exhibits electronically at the SEC s website at www.sec.gov or by mail from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549 at prescribed rates. The Exhibits are also available as part of this Form 10-Q 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.

CORPORATE INFORMATION

The PNC Financial Services Group, Inc.

CORPORATE HEADQUARTERS

The PNC Financial Services Group, Inc.

One PNC Plaza, 249 Fifth Avenue

Pittsburgh, Pennsylvania 15222-2707

412-762-2000

STOCK LISTING The common stock of The PNC Financial Services Group, Inc. is listed on the New York Stock Exchange under the symbol PNC .

INTERNET INFORMATION The PNC Financial Services Group, Inc. s financial reports and information about its products and services are available on the internet at www.pnc.com. We provide information for investors 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 Chairman. 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 taped 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.

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 scenario 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 is also required to make certain market risk-related public disclosures under the Federal banking agencies final market risk capital rule that 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.

FINANCIAL INFORMATION We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements, and other information with the SEC. Our SEC File Number is 001-09718. You can obtain copies of these and other filings, including exhibits, electronically at the SEC s internet website at www.sec.gov or on PNC s corporate internet website at www.pnc.com/secfilings. Shareholders and bond holders 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 email 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.

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

Inquiries For financial services call 888-PNC-2265.

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

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

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

Common Stock Prices/Dividends Declared The table below sets forth by quarter the range of high and low sale and quarter-end closing prices for The PNC Financial Services Group, Inc. common stock and the cash dividends declared per common share.

	High	Low	Close	Cash Dividends Declared (a)
2014 Quarter				
First	$ 87.80	$ 76.06	$ 87.00	$ .44
Total				$ .44
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

(a) Our Board approved a second quarter 2014 cash dividend of $.48 per common share, which was payable on May 5, 2014.

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

Dividend Reinvestment And Stock Purchase Plan

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

Registrar And Stock Transfer Agent

Computershare Trust Company, N.A.

250 Royall Street

Canton, MA 02021

800-982-7652

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on May 8, 2014 on its behalf by the undersigned thereunto duly authorized.

The PNC Financial Services Group, Inc.

/s/ Robert Q. Reilly
Robert Q. Reilly
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)