

PNC FINANCIAL SERVICES GROUP INC
Form 10-K
March 01, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

Commission file number 001-09718

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707

25-1435979
(I.R.S. Employer Identification No.)

(Address of principal executive offices, including zip code)

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

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$5.00	New York Stock Exchange
Depository Shares Each Representing 1/4000 Interest in a Share of 9.875%	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L, par value \$1.00	
12.000% Fixed-to-Floating Rate Normal Automatic Preferred Enhanced Capital Securities (issued by National City Capital Trust I)	New York Stock Exchange
6.625% Trust Preferred Securities (issued by National City Capital Trust II)	New York Stock Exchange
6.625% Trust Preferred Securities (issued by National City Capital Trust III)	New York Stock Exchange
8.000% Trust Preferred Securities (issued by National City Capital Trust IV)	New York Stock Exchange
6.125% Capital Securities (issued by PNC Capital Trust D)	New York Stock Exchange

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7 3/4% Trust Preferred Securities (issued by PNC Capital Trust E)
Warrants (expiring December 31, 2018) to purchase Common Stock

New York Stock Exchange
New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:

\$1.80 Cumulative Convertible Preferred Stock - Series B, par value \$1.00

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 30, 2010, determined using the per share closing price on that date on the New York Stock Exchange of \$56.50, was approximately \$29.6 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 18, 2011: 525,508,324

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of The PNC Financial Services Group, Inc. to be filed pursuant to Regulation 14A for the 2011 annual meeting of shareholders (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

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

ITEM 1 BUSINESS

BUSINESS OVERVIEW Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States. We have businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking, providing many of our products and services nationally and others in our primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. We also provide certain products and services internationally. At December 31, 2010, our consolidated total assets, deposits and total shareholders' equity were \$264.3 billion, \$183.4 billion and \$30.2 billion, respectively.

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

SALE OF PNC GLOBAL INVESTMENT SERVICING

On July 1, 2010, we sold PNC Global Investment Servicing Inc. (GIS), a leading provider of processing, technology and business intelligence services to asset managers, broker-dealers and financial advisors worldwide, for \$2.3 billion in cash pursuant to a definitive agreement entered into on February 2, 2010. The pretax gain recorded in the third quarter of 2010 related to this sale was \$639 million, or \$328 million after taxes.

Results of operations of GIS through June 30, 2010 and the related after-tax gain on sale in the third quarter of 2010 are presented as income from discontinued operations, net of income taxes, on our Consolidated Income Statement for the periods presented in this Report. Once we entered into the sales agreement, GIS was no longer a reportable business segment. Further information regarding the GIS sale is included in Note 2 Divestiture in Item 8 of this Report and here by reference.

ACQUISITION OF NATIONAL CITY CORPORATION

On December 31, 2008, we acquired National City Corporation (National City) for approximately \$6.1 billion. The total consideration included approximately \$5.6 billion of PNC common stock, \$150 million of preferred stock, and cash of \$379 million paid to warrant holders by National City. Following the closing, PNC received \$7.6 billion from the United States Department of the Treasury (US Treasury) under the Emergency Economic Stabilization Act of 2008 (EESA) in exchange for the issuance of preferred stock and a common stock warrant (the TARP Preferred Stock and TARP

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Warrant). These proceeds were used to enhance National City Bank's regulatory capital position to well-capitalized in order to continue serving the credit and deposit needs of existing and new customers. On a consolidated basis, these proceeds resulted in further improvement to our capital and liquidity positions. See Repurchase of Outstanding TARP Preferred Stock and Sale By US Treasury of TARP Warrant below for additional information.

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

National City, based in Cleveland, Ohio, was one of the nation's largest financial services companies. At December 31, 2008, prior to our acquisition, National City had total assets of approximately \$153 billion and total deposits of approximately \$101 billion. National City Corporation was merged into PNC on the acquisition date, December 31, 2008. National City Bank was merged into PNC Bank, National Association (PNC Bank, N.A.) on November 6, 2009.

Our consolidated financial statements for 2009 and 2010 reflect the impact of National City.

REPURCHASE OF OUTSTANDING TARP PREFERRED STOCK AND SALE BY US TREASURY OF TARP WARRANT

See Note 18 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report regarding our December 31, 2008 issuance of \$7.6 billion of Fixed Rate Cumulative Perpetual Preferred Shares, Series N (Series N Preferred Stock or TARP Preferred Stock), related issuance discount, and issuance of the related common stock warrant to the US Treasury (the TARP Warrant) under the US Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program.

As approved by the Federal Reserve Board, US Treasury and our other banking regulators, on February 10, 2010, we redeemed all 75,792 shares of our Series N Preferred Stock held by the US Treasury. We used the net proceeds from the common stock offering described in Note 18, senior notes offerings and other funds to redeem the Series N Preferred Stock. We did not exercise our right to seek to repurchase the related warrant at the time we redeemed the Series N Preferred Stock.

In connection with the redemption of the Series N Preferred Stock, we accelerated the accretion of the remaining issuance discount on the Series N Preferred Stock and recorded a corresponding reduction in retained earnings of \$250 million during the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share.

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

The warrant issued to the US Treasury in connection with the Series N Preferred Stock described above would have enabled the US Treasury to purchase up to approximately 16.9 million shares of PNC common stock at an exercise price of \$67.33 per share. After exchanging its TARP Warrant for 16,885,192 warrants, each to purchase one share of PNC common stock, the US Treasury sold the warrants in a secondary public offering. The sale closed on May 5, 2010. These warrants expire December 31, 2018.

REVIEW OF BUSINESS SEGMENTS In addition to the following information relating to our lines of business, we incorporate information under the captions Business Segment Highlights, Product Revenue, and Business Segments Review in Item 7 of this Report here by reference. Also, we include financial and other information by business in Note 25 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report here by reference.

Assets, revenue and earnings attributable to foreign activities were not material in the periods presented. Business segment results for periods prior to 2010 have been reclassified to reflect current methodologies and current business and management structure and to present those periods on the same basis. Business segment information for 2008 does not include the impact of National City, which we acquired on December 31, 2008.

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

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

Corporate & Institutional Banking provides lending, treasury management, and capital markets-related products and services to mid-sized corporations, government and

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not-for-profit entities, and selectively to large corporations. Lending products include secured and unsecured loans, letters of credit and equipment leases. Treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting, and global trade services. Capital markets-related products and services include foreign exchange, derivatives, loan syndications, mergers and acquisitions advisory and related services to middle-market companies, our multi-seller conduit, securities underwriting, and securities sales and trading. Corporate & Institutional Banking also provides commercial loan servicing, real estate advisory and technology solutions for the commercial real estate finance industry. Corporate & Institutional Banking provides products and services generally within our primary geographic markets, with certain products and services offered nationally and internationally.

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

Asset Management Group includes personal wealth management for high net worth and ultra high net worth clients and institutional asset management. Wealth management products and services include financial planning, customized investment management, private banking, tailored credit solutions and trust management and administration for individuals and their families. Institutional asset management provides investment management, custody, and retirement planning services. The institutional clients include corporations, unions, municipalities, non-profits, foundations and endowments located primarily in our geographic footprint.

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

Residential Mortgage Banking directly originates primarily first lien residential mortgage loans on a nationwide basis with a significant presence within the retail banking footprint, and also originates loans through majority and minority owned affiliates. Mortgage loans represent loans collateralized by

one-to-four-family residential real estate. These loans are typically underwritten to government agency and/or third party standards, and sold, servicing retained, to secondary mortgage market conduits Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks and third-party investors, or are securitized and issued under the Government National Mortgage Association (GNMA) program, as described in more detail in Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in Item 8 of this Report and included here by reference. The mortgage servicing operation performs all functions related to servicing mortgage loans primarily those in first lien position for various investors and for loans owned by PNC. Certain loans originated through majority or minority owned affiliates are sold to others.

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

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

We hold an equity investment in BlackRock. Our investment in BlackRock is a key component of our diversified revenue strategy. The ability of BlackRock to grow assets under management is the key driver of increases in its revenue, earnings and, ultimately, shareholder value. BlackRock's strategies for growth in assets under management include a focus on achieving client investment performance objectives in a manner consistent with their risk preferences and delivering excellent client service. The business dedicates significant resources to attracting and retaining talented professionals and to the ongoing enhancement of its investment technology and operating capabilities to deliver on this strategy.

Distressed Assets Portfolio includes commercial residential development loans, cross-border leases, consumer brokered home equity loans, retail mortgages, non-prime mortgages, and residential construction loans. These loans require special servicing and management oversight given current market conditions. We obtained the majority of these loans through acquisitions of other companies.

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

SUBSIDIARIES Our corporate legal structure at December 31, 2010 consisted of one domestic subsidiary bank, including its subsidiaries, and approximately 120 active non-bank subsidiaries. Our bank subsidiary is PNC Bank, National Association (PNC Bank, N.A.), headquartered in Pittsburgh, Pennsylvania. For additional information on our subsidiaries, see Exhibit 21 to this Report.

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

	Form 10-K page
Average Consolidated Balance Sheet And Net Interest Analysis	189
Analysis Of Year-To-Year Changes In Net Interest Income	188
Book Values Of Securities	37-40 and 127-132
Maturities And Weighted-Average Yield Of Securities	132
Loan Types	34-36, 117-118 and 190
Selected Loan Maturities And Interest Sensitivity	192
Nonaccrual, Past Due And Restructured Loans And Other Nonperforming Assets	69-75, 106-107, 119 and 190
Potential Problem Loans And Loans Held For Sale	41 and 69-76
Summary Of Loan Loss Experience	75-76, 118-126 and 191
Assignment Of Allowance For Loan And Lease Losses	75-76 and 191
Average Amount And Average Rate Paid On Deposits	189
Time Deposits Of \$100,000 Or More	146 and 192
Selected Consolidated Financial Data	23-24
Short-term borrowings not included as average balances during 2010, 2009 and 2008 were less than 30% of total shareholders equity at the end of each period.	

SUPERVISION AND REGULATION

OVERVIEW

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

We are subject to numerous governmental regulations, some of which are highlighted below. You should also read Note 21 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report, included here by reference, for additional information regarding our regulatory matters. Applicable laws and regulations restrict our permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, among other things. They also restrict our ability to repurchase stock or to receive dividends from bank subsidiaries and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions.

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

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unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. This supervisory framework could materially impact the conduct, growth and profitability of our operations.

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

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

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We anticipate new legislative and regulatory initiatives over the next several years, focused specifically on banking and other financial services in which we are engaged. These initiatives would be in addition to the actions already taken by Congress and the regulators, including EESA, the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit CARD Act), the Secure and Fair Enforcement for Mortgage Licensing Act (the SAFE Act), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), as well as changes to the regulations implementing the Real Estate Settlement Procedures Act, the Federal Truth in Lending Act, and the Electronic Fund Transfer Act, including the new rules set forth in Regulation E related to overdraft charges.

Dodd-Frank, which was signed into law on July 21, 2010, comprehensively reforms the regulation of financial institutions, products and services. Dodd-Frank requires various federal regulatory agencies to implement numerous rules and regulations. Because the federal agencies are granted broad discretion in drafting these rules and regulations, many of the details and much of the impact of Dodd-Frank may not be known for many months or years. Among other things, Dodd-Frank provides for new capital standards that eliminate the treatment of trust preferred securities as Tier 1 regulatory capital; requires that deposit insurance assessments be calculated based on an insured depository institution's assets rather than its insured deposits and raises the minimum Designated Reserve Ratio (the balance in the Deposit Insurance Fund divided by estimated insured deposits) to 1.35%; places restrictions on a financial institution's derivatives activities; limits proprietary trading and owning or sponsoring hedge funds and private equity funds; places limitations on the interchange fees we can charge for debit card transactions; and establishes new minimum mortgage underwriting standards for residential mortgages.

Dodd-Frank also establishes, as an independent agency that is organized as a bureau within the Federal Reserve, the Bureau of Consumer Financial Protection (CFPB). Starting July 21, 2011, the CFPB will have the authority to prescribe rules governing the provision of consumer financial products and services, and it is expected that the CFPB will issue new regulations, and amend existing regulations, regarding consumer protection practices. Also on that date, the authority of the OCC to examine PNC Bank, N.A. for compliance with consumer protection laws, and to enforce such laws, will transfer to CFPB.

Additionally, new provisions concerning the applicability of state consumer protection laws will become effective on July 21, 2011. Questions may arise as to whether certain state consumer financial laws may be preempted after this date. We expect to experience an increase in regulation of our retail banking business and additional compliance obligations, revenue impacts, and costs.

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

On November 17, 2010, the Federal Reserve announced that, together with the primary federal bank regulators, it would undertake a supervisory assessment of the capital adequacy of the 19 bank holding companies (BHCs) that participate in the Supervisory Capital Assessment Program (SCAP). This capital adequacy assessment will be based on a review of a comprehensive capital plan submitted by each SCAP BHC to the Federal Reserve and its primary federal bank regulator. Pursuant to this review, PNC filed its capital plan with the Federal Reserve on January 7, 2011.

The Federal Reserve will evaluate PNC's capital plan based on PNC's risk profile and the strength of PNC's internal capital assessment process under the regulatory capital standards currently applicable and in accordance with PNC's plans to address proposed revisions to the regulatory capital framework developed by the Basel Committee on Banking Supervision (Basel III) and as set forth in relevant provisions of Dodd-Frank. The Federal Reserve's evaluation will take into consideration any capital distribution plans, such as plans to increase common stock dividends or to reinstate or increase common stock repurchase programs. In accordance with the Federal Reserve announcement of the SCAP evaluation, PNC expects to receive its results from the Federal Reserve by the end of the first quarter 2011. Further, while the Basel III capital framework has yet to be finalized by the Federal banking agencies, and is therefore subject to further change, management believes that, based on its current interpretation of the new framework, PNC will be Basel III compliant, on a fully phased-in basis, during the first half of 2012.

At least in part driven by the current economic and financial situation, there is an increased focus on fair lending and other issues related to the mortgage industry. Ongoing mortgage-related regulatory reforms include measures aimed at reducing mortgage foreclosures.

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

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Additional legislation, changes in rules promulgated by the Federal Reserve, the OCC, the FDIC, the CFPB, the SEC, other federal and state regulatory authorities and self-regulatory

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

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

BANK REGULATION

As a bank holding company and a financial holding company, we are subject to supervision and regular inspection by the Federal Reserve. PNC Bank, N.A. and its subsidiaries are subject to supervision and examination by applicable federal banking agencies, principally the OCC. As a result of Dodd-Frank, subsidiaries of PNC Bank, N.A. will be subject to state law and regulation to the same extent as if they were not subsidiaries of a national bank, such as PNC Bank, N.A. Additionally, based on Dodd-Frank, state authorities may assert that certain state consumer financial laws that provide different requirements or limitations than Federal law may apply to national banks, including PNC Bank, N.A. Such state laws may be preempted if they meet certain standards set forth in Dodd-Frank.

Dodd-Frank established the 10-member inter-agency Financial Stability Oversight Council (FSOC), which is charged with identifying systemic risks and strengthening the regulation of financial holding companies and certain non-bank companies deemed to be systemically important and could, in extraordinary cases, break up financial firms that are deemed to be too big to fail. It also requires the Federal Reserve Board to establish prudential standards for bank holding companies with total consolidated assets equal to or greater than \$50 billion that are more stringent than the standards and requirements applicable to bank holding companies with assets below this threshold and that increase in stringency for bank holding companies that present heightened risk to the financial system, such as the extent of leverage and off-balance sheet exposures. These heightened prudential standards may include risk-based capital requirements, leverage limits, liquidity requirements, overall risk management requirements, resolution plan and credit exposure requirements, and concentration limits. The FSOC also makes recommendations to the Federal Reserve Board concerning the establishment and refinement of these prudential standards and reporting and disclosure requirements. These heightened standards will apply to PNC since we have more than \$50 billion in assets. The Federal Reserve Board has

not yet proposed or issued these standards, so we cannot predict what the standards will be at this time.

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

Parent Company Liquidity and Dividends. The principal source of our liquidity at the parent company level is dividends from PNC Bank, N.A. PNC Bank, N.A. is subject to various federal restrictions on its ability to pay dividends to PNC Bancorp, Inc., its direct parent. PNC Bank, N.A. is also subject to federal laws limiting extensions of credit to its parent holding company and non-bank affiliates as discussed in Note 21 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated herein by reference. Further information on bank level liquidity and parent company liquidity and on certain contractual restrictions is also available in Liquidity Risk Management in the Risk Management section and PNC Capital Trust E Trust Preferred Securities and Acquired Entity Trust Preferred Securities in the Off-Balance Sheet Arrangements and VIEs section of Item 7 of this Report, and in Note 13 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Under Federal Reserve policy, a bank holding company is expected to serve as a source of financial strength to its subsidiary bank and to commit resources to support such bank. Consistent with the source of strength policy for subsidiary banks, the Federal Reserve has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the corporation's capital needs, asset quality and overall financial condition. Further, in the November 17, 2010 announcement of its supervisory assessment of the capital adequacy of the bank holding companies that participated in the Supervisory Capital Assessment Program, discussed above, the Federal Reserve stated that it expects plans submitted in 2011 will reflect conservative dividend payout ratios and net share repurchase programs, and that requests that imply dividend payout ratios above 30% of net income will receive particularly close scrutiny. The Federal Reserve stated that it further expects that plans will allow for significant accretion of capital after taking into consideration all proposed capital actions.

Additional Powers Under the GLB Act. The GLB Act permits a qualifying bank holding company to become a financial holding company and thereby to affiliate with financial companies engaging in a broader range of activities than would otherwise be permitted for a bank holding

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company. Permitted affiliates include securities underwriters and dealers, insurance companies and companies engaged in other

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activities that are determined by the Federal Reserve, in consultation with the Secretary of the Treasury, to be financial in nature or incidental thereto or are determined by the Federal Reserve unilaterally to be complementary to financial activities. We became a financial holding company as of March 13, 2000.

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

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

In addition, the GLB Act permits national banks, such as PNC Bank, N.A., to engage in expanded activities through the formation of a financial subsidiary. PNC Bank, N.A. has filed a financial subsidiary certification with the OCC and currently engages in insurance agency activities through financial subsidiaries. PNC Bank, N.A. may also generally engage through a financial subsidiary in any activity that is financial in nature or incidental to a financial activity. Certain activities, however, are impermissible for a financial subsidiary of a national bank, including insurance under-writing, insurance investments, real estate investment or development, and merchant banking.

Other Federal Reserve and OCC Regulation. The federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution and its holding company. The extent of these powers depends upon whether the institution in question is considered well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized. Generally, the smaller an institution's capital base in relation to its risk-weighted assets, the greater the scope and severity of the agencies' powers, ultimately permitting the agencies to appoint a receiver for the institution. Business activities may also be influenced by an institution's capital classification. For instance, only a well capitalized depository institution may accept brokered deposits without prior regulatory approval and an

adequately capitalized depository institution may accept brokered deposits only with prior regulatory approval. At December 31, 2010, PNC Bank, N.A. exceeded the required ratios for classification as well capitalized. For additional discussion of capital adequacy requirements, we refer you to Funding and Capital Sources in the Consolidated Balance Sheet Review section of Item 7 of this Report and to Note 21 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report.

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

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

The Federal Reserve's prior approval is required whenever we propose to acquire all or substantially all of the assets of any bank or thrift, to acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank or thrift, or to merge or consolidate with any other bank holding company or thrift holding company. The BHC Act enumerates the factors the Federal Reserve Board must consider when reviewing the merger of bank holding companies or the acquisition of banks. These factors include the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the convenience and needs of the communities to be served; and the records of performance under the Community Reinvestment Act of the insured depository institutions involved in the transaction. In cases involving interstate bank acquisitions, the Board also must consider the concentration of deposits nationwide and in certain individual states. Our ability to grow through acquisitions could be limited by these approval requirements.

At December 31, 2010, PNC Bank, N.A. was rated Outstanding with respect to CRA.

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

would be charged to banks that have lower capital ratios or higher risk profiles. These risk profiles take into account weaknesses that are

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found by the primary banking regulator through its examination and supervision of the bank. A negative evaluation by the FDIC or a bank's primary federal banking regulator could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category. Also, the deposit insurance provisions of Dodd-Frank, as implemented by the FDIC, could increase the deposit insurance premiums for a bank such as PNC Bank, N.A.

SECURITIES AND RELATED REGULATION

The SEC is the functional regulator of our registered broker-dealer and investment advisor subsidiaries. The registered broker-dealer subsidiaries are also subject to rules and regulations promulgated by the Financial Industry Regulatory Authority (FINRA), among others.

Several of our subsidiaries are registered with the SEC as investment advisers and provide services to clients, other PNC affiliates and related entities, including registered investment companies. Under rules to be adopted under Dodd-Frank, we expect to be required to register additional subsidiaries as investment advisors to private equity funds. Broker-dealer subsidiaries are subject to the requirements of the Securities Exchange Act of 1934, as amended, and the regulations thereunder. Investment advisor subsidiaries are subject to the requirements of the Investment Advisers Act of 1940, as amended, and the regulations thereunder. An investment advisor to registered investment companies is also subject to the requirements of the Investment Company Act of 1940, as amended, and the regulations thereunder.

Our broker-dealer and investment advisory subsidiaries also may be subject to state securities laws and regulations. Over the past several years, the SEC and other governmental agencies have been focused on the mutual fund, hedge fund and broker-dealer industries. Congress and the SEC have adopted regulatory reforms and are continuing additional reforms that have increased, and are likely to continue to increase, the extent of regulation of the mutual fund, hedge fund and broker-dealer industries and impose additional compliance obligations and costs on our subsidiaries involved with those industries.

Under provisions of the federal securities laws applicable to broker-dealers, investment advisers and registered investment companies and their service providers, a determination by a court or regulatory agency that certain violations have occurred at a company or its affiliates can result in fines, restitution, a limitation on permitted activities, disqualification to continue to conduct certain activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations can also affect a public company in its timing and ability to expeditiously issue new securities into the capital markets. In addition, certain changes in the activities of a broker-dealer require approval from FINRA, and FINRA takes into account a variety of considerations in acting upon

applications for such approval, including internal controls, capital levels, management experience and quality, prior enforcement and disciplinary history and supervisory concerns.

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

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

In addition, Dodd-Frank subjects virtually all derivative transactions (swaps) to regulation by either the Commodity Futures Trading Commission (CFTC) (in the case of non security-based swaps) or the SEC (in the case of security-based swaps). This section of Dodd-Frank was enacted to reduce systemic risk, increase transparency, and promote market integrity within the financial system by, among other things: (i) providing for the registration and comprehensive regulation of swap dealers (SDs) and major swap participants (MSPs); (ii) imposing mandatory clearing and trade execution requirements on all standardized swaps, with certain limited exemptions; (iii) creating robust recordkeeping and real-time public data reporting regimes with respect to swaps; (iv) imposing capital and margin requirements on SDs and MSPs; (v) imposing business conduct requirements on SDs and MSPs in their dealings with counterparties; and (vi) enhancing the CFTC's and SEC's rulemaking and enforcement authorities with respect to SDs and MSPs. Under the rules anticipated under Dodd-Frank, we expect to register with the CFTC as an SD and accordingly be subject to all of the new regulations and requirements imposed on an SD.

COMPETITION

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

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

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

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

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

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

In providing asset management services, our businesses compete with:

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

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

EMPLOYEES Employees totaled 50,769 at December 31, 2010. This total includes 44,817 full-time and 5,952 part-time employees.

SEC REPORTS AND CORPORATE GOVERNANCE INFORMATION

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

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

The SEC also maintains an internet website that contains reports, proxy and information statements, and other information about issuers, like us, who file electronically with the SEC. The address of that site is www.sec.gov. You can also inspect reports, proxy statements and other information

about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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

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

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and Ethics that applies to our directors or executive officers (including the Chairman and Chief Executive Officer, the Chief Financial Officer and the Controller) will be posted at this internet address.

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

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

INTERNET INFORMATION

The PNC Financial Services Group, Inc.'s financial reports and information about its products and services are available on the internet at www.pnc.com. We provide information for investors on our corporate website under About PNC Investor Relations, such as Investor Events, Quarterly Earnings, SEC Filings, Financial Information, Financial Press Releases and Message from the Chairman. Under Investor Relations, we will from time to time post information that we

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believe may be important or useful to investors. We generally post the following shortly before or promptly following its first use or release: financially-related press releases (including earnings releases), various SEC filings, presentation materials associated with earnings and other investor conference calls or events, and access to live and taped audio from such calls or events. When warranted, we will also use our website to expedite public access to time-critical information regarding PNC in advance of distribution of a press release or a filing with the SEC disclosing the same information. You can also find the SEC reports and corporate governance information described in the sections above in the Investor Relations section of our website.

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

ITEM 1A RISK FACTORS

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

There are risks that are known to exist at the outset of a transaction. For example, every loan transaction presents credit risk (the risk that the borrower may not perform in accordance with contractual terms) and interest rate risk (a potential loss in earnings or economic value due to adverse movement in market interest rates or credit spreads), with the nature and extent of these risks principally depending on the financial profile of the borrower and overall economic conditions. We focus on lending that is within the boundaries of our risk framework, and manage these risks by adjusting the terms and structure of the loans we make and through our oversight of the borrower relationship, as well as through management of our deposits and other funding sources.

Risk management is an important part of our business model. The success of our business is dependent on our ability to identify, understand and manage the risks presented by our business activities so that we can appropriately balance revenue generation and profitability. These risks include credit risk, market risk, liquidity risk, operational risk, compliance and legal risk, and strategic and reputation risk. Our shareholders have been well served by our focus on achieving and maintaining a moderate risk profile. At December 31, 2008 with an economy in severe recession and with our then recent acquisition of National City, our Consolidated Balance Sheet did not reflect that desired risk profile. However, by December 31, 2010 we had made significant progress toward

bringing PNC back into alignment with a moderate risk profile and transitioning PNC's balance sheet to more closely reflect our business model. We remain committed to returning to a moderate risk profile characterized by disciplined credit management, a stable operating risk environment, and more limited exposure to earnings volatility resulting from interest rate fluctuations and the shape of the interest rate yield curve. We discuss our principal risk management processes and, in appropriate places, related historical performance in the Risk Management section included in Item 7 of this Report.

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

The possibility of the moderate economic recovery returning to recessionary conditions or of turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position and results of operations.

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

Since the middle of 2007, there has been disruption and turmoil in financial markets around the world. Throughout much of the United States, there have been dramatic declines in the housing market, with falling home prices and increasing foreclosures, high levels of unemployment and underemployment, and reduced earnings, or in some cases losses, for businesses across many industries, with reduced investments in growth.

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

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

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

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

Investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on PNC's stock price and resulting market valuation.

Economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates.

Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors.

The process we use to estimate losses in our credit exposures requires difficult, subjective, and complex judgments, including with respect to economic conditions and how economic conditions might impair the ability of our borrowers to repay their loans. At any point in time or for any length of time, such losses may no longer be capable of accurate estimation, which may, in turn, adversely impact the reliability of the process for estimating losses and, therefore, the establishment of adequate reserves for those losses.

We could suffer decreases in customer desire to do business with us, whether as a result of a decreased demand for loans or other financial products and services or decreased deposits or other investments in accounts with PNC.

Competition in our industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions, or otherwise. Governmental support provided to financial institutions could alter the competitive landscape.

Increased regulation of compensation at financial services companies as part of government efforts to reform the industry may hinder our ability to attract, retain and incentivize well-qualified individuals in key positions.

We may be required to pay significantly higher FDIC deposit insurance premiums because the failure of many depository institutions during the financial crises significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits, leading to regulatory reform efforts aimed at charging higher premiums in order to replenish FDIC reserves.

Investors in mortgage loans and other assets that we sell are more likely to seek indemnification from us against losses or otherwise seek to have us share in such losses or to request us to repurchase loans that they believe do not comply with applicable representations and warranties or other contractual provisions.

We may be subject to additional fees and taxes as the government seeks to recover some of the costs of its recovery efforts, in particular from the financial services industry.

The regulatory environment for the financial services industry is being significantly impacted by financial regulatory reform initiatives in the United States and elsewhere, including Dodd-Frank and regulations promulgated to implement it.

The United States and other governments have undertaken major reform of the financial services industry, including new efforts to protect consumers and investors from financial abuse. We expect to face further increased regulation of our industry as a result of current and future initiatives intended to provide economic stimulus, financial market stability and enhanced regulation of financial services companies and to enhance the liquidity and solvency of financial institutions and markets. We also expect in many cases more aggressive enforcement of regulations on both the federal and state levels. Compliance with regulations will increase our costs, reduce our revenue, and limit our ability to pursue certain business opportunities.

Dodd-Frank mandates the most wide-ranging overhaul of financial industry regulation in decades. Dodd-Frank was signed into law on July 21, 2010. Many parts of the law are now in effect and others are now in the implementation stage, which is likely to continue for several years. The law requires that regulators, some of which are new regulatory bodies created by Dodd-Frank, draft, review and approve more than 200 implementing regulations and conduct numerous studies that are likely to lead to more regulations.

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Newly created regulatory bodies include the CFPB and the FSOC. The CFPB has been given authority to regulate consumer financial products and services sold by banks and non-bank companies and to supervise banks with assets of more than \$25 billion for compliance with Federal

consumer protection laws. The FSOC has been charged with identifying systemic risks and strengthening the regulation of financial holding companies and certain non-bank companies deemed to be systemically important and could, in extraordinary cases, break up financial firms that are deemed to be too big to fail.

A number of reform provisions are likely to significantly impact the ways in which banks and bank holding companies, including PNC, do business. For example, Dodd-Frank prohibits banks from engaging in some types of proprietary trading, restricts the ability of banks to sponsor or invest in private equity or hedge funds, and requires banks to move some derivatives businesses to separately capitalized subsidiaries of holding companies. It also places limitations on the interchange fees we can charge for debit transactions. While the exact impact of the preemption provisions of Dodd-Frank is as yet unknown, state authorities may assert that certain state consumer financial laws that provide different requirements or limitations than Federal law may apply to national banks, including PNC Bank, N.A. Such state laws may be preempted if they meet certain standards set forth in Dodd-Frank. Other provisions of Dodd-Frank will affect regulatory oversight, holding company capital requirements, risk retention for securitizations, and residential mortgage products.

In addition, capital requirements imposed by Dodd-Frank, together with new standards under the so-called Basel III initiatives, will impose on banks and bank holding companies the need to maintain more and higher quality capital than has historically been the case.

While much of how the Dodd-Frank and other financial industry reforms will change our current business operations depends on the specific regulatory promulgations and interpretations, many of which have yet to be released or finalized, it is clear that the reforms, both under Dodd-Frank and otherwise, will have a significant effect on our entire industry. Although Dodd-Frank and other reforms will affect a number of the areas in which we do business, it is not clear at this time the full extent of the adjustments that will be required and the extent to which we will be able to adjust our businesses in response to the requirements. Although it is difficult to predict the magnitude and extent of these effects at this stage, we believe compliance with Dodd-Frank and its implementing regulations and other initiatives will negatively impact revenue and increase the cost of doing business, both in terms of transition expenses and on an ongoing basis, and will also limit our ability to pursue certain business opportunities.

Our lending businesses and the value of the loans and debt securities we hold may be adversely affected by economic conditions, including a reversal or slowing of the current moderate recovery. Downward valuation of debt securities could also negatively impact our capital position.

Given the high percentage of our assets represented directly or indirectly by loans, and the importance of lending to our overall business, weak economic conditions are likely to have a negative impact on our business and our results of operations. This could adversely impact loan utilization rates as well as delinquencies, defaults and customer ability to meet obligations under the loans. This is particularly the case during the period in which the aftermath of recessionary conditions continues and the positive effects of economic recovery appear to be slow to materialize and unevenly spread among our customers.

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

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

Although many of our businesses are national in scope, our retail banking business is concentrated within our retail branch network footprint, located primarily in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. Thus, we are particularly vulnerable to adverse changes in economic conditions in these states or the Mid-Atlantic and Midwest regions more generally.

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

As most of our assets and liabilities are financial in nature, we tend to be particularly sensitive to the performance of the financial markets. Turmoil and volatility in U.S. and global financial markets, such as that experienced during the recent financial crisis, can be a major

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contributory factor to overall weak economic conditions, leading to some of the risks discussed above, including the impaired ability of borrowers

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and other counterparties to meet obligations to us. Financial market volatility also can have some of the following adverse effects on PNC and our business and financial performance:

It can affect the value or liquidity of our on-balance sheet and off-balance sheet financial instruments.

It can affect the value of servicing rights, including those we carry at fair value.

It can affect our ability to access capital markets to raise funds necessary to support our businesses and maintain our overall liquidity position. Inability to access capital markets as needed, or at cost effective rates, could adversely affect our liquidity and results of operations.

It can affect the value of the assets that we manage or otherwise administer for others or the assets for which we provide processing and information services. Although we are not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related fee income and could result in decreased demand for our services.

It can affect the required funding of our pension obligations to the extent that the value of the assets supporting those obligations drops below minimum levels.

In general, it can impact the nature, profitability or risk profile of the financial transactions in which we engage.

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

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

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

Changes in interest rates or interest rate spreads can affect the difference between the interest that we earn on assets and the interest that we pay on liabilities, which impacts our overall net interest income and profitability.

Such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments, and can, in turn, affect our loss rates on those assets.

Such changes may decrease the demand for interest-rate based products and services, including loans and deposit accounts.

Such changes can also affect our ability to hedge various forms of market and interest rate risk and may decrease the profitability or increase the risk associated with such hedges.

Movements in interest rates also affect mortgage prepayment speeds and could result in impairments of mortgage servicing assets or otherwise affect the profitability of such assets.

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

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

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

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

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claims could, individually or in the aggregate, result in significant expense.

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

Notwithstanding the actions that PNC has taken as described in the preceding paragraph, PNC is one of the fourteen federally regulated mortgage servicers subject to a publicly-disclosed interagency horizontal review of residential mortgage servicing operations. That review is expected to result in formal enforcement actions against many or all of the companies subject to review, which actions are expected to incorporate remedial requirements, heightened mortgage servicing standards and potential civil money penalties. PNC expects that it and PNC Bank will enter into consent orders with the Federal Reserve and the OCC, respectively, relating to the residential mortgage servicing operations of PNC Bank. See Residential Mortgage Foreclosure Matters in Item 7 of this Report for additional information. PNC expects that these consent orders, among other things, will describe certain foreclosure-related practices and controls that the regulators found to be deficient and will require PNC and PNC Bank to, among other things, develop and implement plans and programs to enhance PNC's servicing and foreclosure processes and take certain other remedial actions, and oversee compliance with the orders and the new plans and programs. In addition, either or both of these agencies may seek civil money penalties.

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

One or more of the foregoing could adversely affect PNC's business, financial condition, results of operations or cash flows.

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

Acquisitions of other financial services companies or financial services assets present risks to PNC in addition to those presented by the nature of the business acquired. In general, acquisitions may be substantially more expensive to complete than expected (including unanticipated costs incurred in connection with the integration of the acquired company) and the anticipated benefits (including anticipated cost savings and strategic gains) may be significantly more difficult or take longer to achieve than expected. In some cases, acquisitions involve our entry into new businesses or new geographic or other markets, and these situations also present risks in instances where we may be inexperienced in these new areas.

As a regulated financial institution, our ability to pursue or complete attractive acquisition opportunities could be negatively impacted by regulatory delays or other regulatory issues. In addition, regulatory and/or legal issues relating to the pre-acquisition operations of an acquired business may cause reputational harm to PNC following the acquisition and integration of the acquired business into ours and may result in additional future costs or regulatory limitations arising as a result of those issues. The processes of integrating acquired businesses, as well as the deconsolidation of divested businesses, also pose many additional possible risks which could result in increased costs, liability or other adverse consequences to PNC. Note 22 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report describes several legal proceedings related to pre-acquisition activities of companies we have acquired, in particular National City. Other such legal proceedings may be commenced in the future.

The soundness of other financial institutions could adversely affect us.

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

due us.

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

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

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

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

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

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

Asset management revenue is primarily based on a percentage of the value of the assets and thus is impacted by general changes in market valuations, customer preferences and needs. In addition, investment performance is an important factor influencing the level of assets. Poor investment performance could impair revenue and growth as existing clients might withdraw funds in favor of better performing products. Additionally, the ability to attract funds from existing and new

clients might diminish. Overall economic conditions may limit the amount that customers are able or willing to invest.

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

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

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

Our businesses are subject to regulation by multiple bank regulatory bodies as well as multiple securities industry regulators. Applicable laws and regulations restrict our ability to repurchase stock or to receive dividends from subsidiaries that operate in the banking and securities businesses and impose capital adequacy requirements. PNC's ability to service its obligations is dependent on the receipt of dividends and advances from its subsidiaries. Applicable laws and regulations also restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, and for the protection of customer information, among other things. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions as well as damage to our reputation and businesses.

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

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Due to the current economic environment and issues facing the financial services industry, we anticipate that there will be new legislative and regulatory initiatives over the next several years, including many focused specifically on banking and other financial services in which we are engaged. These initiatives will be in addition to the actions already taken by Congress and the regulators, through enactment of EESA, the Recovery Act, the Credit CARD Act, the SAFE Act, and Dodd-Frank, as well as changes to the regulations implementing the Real Estate Settlement Procedures Act, the Federal Truth in Lending Act, and the Electronic Fund Transfer Act. Legislative and regulatory initiatives have had and are likely to continue to have an impact on the conduct of

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our business. This impact could include rules and regulations that affect the nature and profitability of our business activities, how we use our capital, how we compensate and incent our employees, and other matters potentially having a negative effect on our overall business results and prospects.

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

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

We discuss these and other regulatory issues applicable to PNC, including some particular areas of current regulatory focus or concern, in the Supervision and Regulation section included in Item 1 of this Report and in Note 21 Regulatory Matters in the Notes to Consolidated Financial Statements in Item 8 of this Report and here by reference.

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

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

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

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

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

Our asset valuation may include methodologies, estimations and assumptions that are subject to differing interpretations and this, along with market factors such as volatility in one or more markets, could result in changes to asset valuations that may materially adversely affect our results of operations or financial condition.

We must use estimates, assumptions, and judgments when assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party sources, when available. When such third-party information is not available, we estimate fair value primarily by using cash flow and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors or assumptions in any of the areas underlying our estimates could materially impact our future financial condition and results of operations.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be more difficult to value certain of our assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were historically in active markets with significant observable data that rapidly become illiquid due to market volatility, a loss in market confidence or other factors. In such cases, valuations in certain asset classes may require more subjectivity and management

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judgment; valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented market conditions in any particular market (e.g. credit, equity, fixed income, foreign exchange) could

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materially impact the valuation of assets as reported within our consolidated financial statements, and the period-to-period changes in value could vary significantly.

We are subject to operational risk.

Like all businesses, we are subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards, as well as the risk of our noncompliance with contractual and other obligations. We are also exposed to operational risk through our outsourcing arrangements, and the effect that changes in circumstances or capabilities of our outsourcing vendors can have on our ability to continue to perform operational functions necessary to our business. Although we seek to mitigate operational risk through a system of internal controls which we review and update, no system of controls, however well designed and maintained, is infallible. Control weaknesses or failures or other operational risks could result in charges, increased operational costs, harm to our reputation or foregone business opportunities.

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

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our continued success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that satisfy customer demands and create efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services that allow us to remain competitive or be successful in marketing these products and services to our customers.

Our information systems may experience interruptions or breaches in security.

We also rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in disruptions to our accounting, deposit, loan and other systems, and adversely affect our customer relationships. While we have policies and procedures designed to prevent or limit the effect of these possible events, there can be no assurance that any such failure, interruption or security breach will not occur or, if any does occur, that it can be sufficiently remediated. The occurrence of any such failure, interruption or security breach of our systems could damage our reputation, result in a loss of

customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and financial liability.

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

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

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

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

Neither the occurrence nor the potential impact of disasters, terrorist activities and international hostilities can be predicted. However, these occurrences could impact us directly (for example, by causing significant damage to our facilities or preventing us from conducting our business in the ordinary course), or indirectly as a result of their impact on our borrowers, depositors, other customers, suppliers or other counterparties. We could also suffer adverse consequences to the extent that disasters, terrorist activities or international hostilities affect the financial markets or the economy in general or in any particular region. These types of impacts could lead, for example, to an increase in delinquencies,

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bankruptcies or defaults that could result in our experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning, and our ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of

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disasters or terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we deal with, particularly those that we depend upon but have no control over.

ITEM 1B UNRESOLVED STAFF COMMENTS

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

ITEM 2 PROPERTIES

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

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

ITEM 3 LEGAL PROCEEDINGS

See the information set forth in Note 22 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated here by reference.

ITEM 4 RESERVED**EXECUTIVE OFFICERS OF THE REGISTRANT**

Information regarding each of our executive officers as of February 18, 2011 is set forth below. Executive officers do not have a stated term of office. Each executive officer has held the position or positions indicated or another executive position with the same entity or one of its affiliates for the past five years unless otherwise indicated below.

Name	Age	Position with PNC	Year Employed (1)
James E. Rohr	62	Chairman and Chief Executive Officer (2)	1972
Joseph C. Guyaux	60	President	1972
William S. Demchak	48	Senior Vice Chairman	2002
Thomas K. Whitford	54	Vice Chairman	1983
Enrico Dallavecchia	49	Executive Vice President and Chief Risk Officer	2010
Joan L. Gulley	63	Executive Vice President and Chief Human Resources Officer	1986
Michael J. Hannon	54	Executive Vice President and Chief Credit Officer	1982
Richard J. Johnson	54	Executive Vice President and Chief Financial Officer	2002
E. William Parsley, III	45	Executive Vice President, Chief Investment Officer and Treasurer	2003
Helen P. Pudlin	61	Executive Vice President and General Counsel	1989
Robert Q. Reilly	46	Executive Vice President	1987
Samuel R. Patterson	52	Senior Vice President and Controller	1986

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

(2) Also serves as a director of PNC.

William S. Demchak has served as Senior Vice Chairman since February 2009. Since August 2005, he has had oversight responsibilities for the Corporation's Corporate & Institutional Banking business, as well as PNC's asset and liability management activities. Beginning in September

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2010, he also assumed supervisory responsibility for all PNC businesses. He was appointed Vice Chairman in 2002.

Thomas K. Whitford has served as Vice Chairman since February 2009. He was appointed Chief Administrative Officer in May 2007. From April 2002 through May 2007 and then from November 2009 until April 2010, he served as Chief Risk Officer.

Enrico Dallavecchia has served as Executive Vice President and Chief Risk Officer since April 2010. Prior to joining PNC, he had been a risk management executive at FNMA and JPMorgan Chase & Co.

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

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April 2008 and then Executive Vice President in February 2009. She served as Chief Executive Officer for PNC's wealth management business from 2002 to 2006. From 2006 until April 2008, she served as Executive Vice President of PNC Bank, N.A. and was responsible for product and segment management, as well as advertising and brand management for PNC.

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

Richard J. Johnson has served as Chief Financial Officer since August 2005. He was appointed Executive Vice President in February 2009 and was previously Senior Vice President.

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

Helen P. Pudlin has served as General Counsel since 1994. She was appointed Executive Vice President in February 2009 and was previously Senior Vice President.

Robert Q. Reilly has served as the head of PNC's Asset Management Group since 2005. Previously, he held numerous management roles in both Corporate Banking and Asset Management. He was appointed Executive Vice President in February 2009.

DIRECTORS OF THE REGISTRANT

The name, age and principal occupation of each of our directors as of February 18, 2011, and the year he or she first became a director is set forth below:

Richard O. Berndt, 68, Managing Partner of Gallagher, Evelius & Jones LLP (*law firm*) (2007)
 Charles E. Bunch, 61, Chairman and Chief Executive Officer of PPG Industries, Inc. (*coatings, sealants and glass products*) (2007)
 Paul W. Chellgren, 68, Operating Partner, Snow Phipps Group, LLC (*private equity*) (1995)
 Kay Coles James, 61, President and Founder of The Gloucester Institute (*non-profit*) (2006)
 Richard B. Kelson, 64, Chairman and Chief Executive Officer, ServCo, LLC (*strategic sourcing, supply chain management*) (2002)
 Bruce C. Lindsay, 69, Chairman and Managing Member of 2117 Associates, LLC (*business consulting firm*) (1995)
 Anthony A. Massaro, 66, Retired Chairman and Chief Executive Officer of Lincoln Electric Holdings, Inc. (*manufacturer of welding and cutting products*) (2002)
 Jane G. Pepper, 65, Retired President of the Pennsylvania Horticultural Society (*non-profit*) (1997)
 James E. Rohr, 62, Chairman and Chief Executive Officer of PNC (1990)
 Donald J. Shepard, 64, Retired Chairman of the Executive Board and Chief Executive Officer of AEGON U.S. Holding Corporation (*insurance*) (2007)
 Lorene K. Steffes, 65, Independent Business Advisor (*technology and technical services*) (2000)
 Dennis F. Strigl, 64, Retired President and Chief Operating Officer of Verizon Communications Inc. (*telecommunications*) (2001)
 Stephen G. Thieke, 64, Retired Non-executive Chairman of Risk Metrics Group, Inc.; Retired Chairman, Risk Management Committee of J.P. Morgan (*financial and investment banking services*) (2002)
 Thomas J. Usher, 68, Non-executive Chairman of Marathon Oil Corporation (*oil and gas industry*) (1992)
 George H. Walls, Jr., 68, former Chief Deputy Auditor for the State of North Carolina (2006)
 Helge H. Wehmeier, 68, Retired Vice Chairman of Bayer Corporation (*healthcare, crop protection, and chemicals*) (1992)

PART II

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

(a) (1) Our common stock is listed on the New York Stock Exchange and is traded under the symbol PNC. At the close of business on February 18, 2011, there were 79,520 common shareholders of record.

Holders of PNC common stock are entitled to receive dividends when declared by the Board of Directors out of funds legally available for this purpose. Our Board of Directors may not pay or set apart dividends on the common stock until dividends for all past dividend periods on any series of outstanding preferred stock have been paid or declared and set apart for payment. The Board presently intends to continue the policy of paying quarterly cash dividends. The amount of any future dividends will depend on economic and market conditions, our financial condition

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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). Our ability to increase our dividend is currently subject to the results of the Federal Reserve's supervisory assessment of capital adequacy described under Supervision And Regulation in Item 1 of this Report.

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The Federal Reserve has the power to prohibit us from paying dividends without its approval. For further information concerning dividend restrictions and restrictions on loans, dividends or advances from bank subsidiaries to the parent company, you may review *Supervision And Regulation* in Item 1 of this Report, *Funding and Capital Sources* in the Consolidated Balance Sheet Review section, *Liquidity Risk Management* in the Risk Management section, *PNC Capital Trust E Trust Preferred Securities* and *Acquired Entity Trust Preferred Securities* in the Off-Balance Sheet Arrangements and VIEs section of Item 7 of this Report, and Note 13 *Capital Securities of Subsidiary Trusts and Perpetual Trust Securities* and Note 21 *Regulatory Matters* in the Notes To Consolidated Financial Statements in Item 8 of this Report, which we include here by reference.

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

We include here by reference the information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2010 in the table (with introductory paragraph and notes) that appears under the caption *Item 3 Approval of 2006 Incentive Award Plan Terms* in our Proxy Statement to be filed for the 2011 annual meeting of shareholders and is incorporated by reference herein and in Item 12 of this Report.

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

Computershare Trust Company, N.A.

250 Royall Street

Canton, MA 02021

800-982-7652

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

(a) (2) None.

(b) Not applicable.

(c) Details of our repurchases of PNC common stock during the fourth quarter of 2010 are included in the following table:
In thousands, except per share data

	Total shares purchased (b)	Average price paid per share	Total shares purchased as part of publicly announced programs (c)	Maximum number of shares that may yet be purchased under the programs (c)
2010 period (a)				

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October 1			
October 31	158	\$ 53.31	24,710
November 1			
November 30	227	\$ 55.53	24,710
December 1			
December 31	190	\$ 59.26	24,710
Total	575	\$ 56.16	

- (a) In addition to the repurchases of PNC common stock during the fourth quarter of 2010 included in the table above, PNC called its \$1.60 Cumulative Convertible Preferred Stock Series C and its \$1.80 Cumulative Convertible Preferred Stock Series D for redemption in accordance with their terms effective October 1, 2010. PNC redeemed 18,118 outstanding shares of the Series C preferred stock at the redemption price of \$20.00 per share and 26,010 outstanding shares of the Series D preferred stock at the redemption price of \$20.00 per share.
- (b) Reflects PNC common stock purchased in connection with our various employee benefit plans. No shares were purchased under the program referred to in note (c) to this table during the fourth quarter of 2010. Effective January 2011, employer matching contributions to the PNC Incentive Savings Plan will no longer be made in PNC common stock, but rather in cash. Note 14 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report includes additional information regarding our employee benefit plans that use PNC common stock.
- (c) Our current stock repurchase program allows us to purchase up to 25 million shares on the open market or in privately negotiated transactions. This program was authorized on October 4, 2007 and will remain in effect until fully utilized or until modified, superseded or terminated.

Table of Contents**Common Stock Performance Graph**

This graph shows the cumulative total shareholder return (i.e., price change plus reinvestment of dividends) on our common stock during the five-year period ended December 31, 2010, as compared with: (1) a selected peer group of our competitors, called the Peer Group; (2) an overall stock market index, the S&P 500 Index; and (3) a published industry index, the S&P 500 Banks. The yearly points marked on the horizontal axis of the graph correspond to December 31 of that year. The stock performance graph assumes that \$100 was invested on January 1, 2006 for the five-year period and that any dividends were reinvested. The table below the graph shows the resultant compound annual growth rate for the performance period.

	Assumes \$100 investment at Close of Market on December 31, 2005						5-Year Compound
	Base Period	Total Return = Price change plus reinvestment of dividends					Growth Rate
	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10	
PNC	100	123.60	113.35	88.22	97.27	112.64	2.41%
S&P 500 Index	100	115.79	122.16	76.96	97.33	111.99	2.29%
S&P 500 Banks	100	116.13	81.54	42.81	39.99	47.93	(13.68%)
Peer Group	100	116.82	83.90	46.27	62.04	78.92	(4.62%)

The Peer Group for the preceding chart and table consists of the following companies: BB&T Corporation; Bank of America Corporation; Capital One Financial, Inc.; Comerica Inc.; Fifth Third Bancorp; JPMorgan Chase; KeyCorp; M&T Bank; The PNC Financial Services Group, Inc.; Regions Financial Corporation; SunTrust Banks, Inc.; U.S. Bancorp; and Wells Fargo & Co. This Peer Group was approved by the Board's Personnel and Compensation Committee (the Committee) for 2010. The Committee has approved the same Peer Group for 2011.

Each yearly point for the Peer Group is determined by calculating the cumulative total shareholder return for each company in the Peer Group from December 31, 2005 to December 31 of that year (End of Month Dividend Reinvestment Assumed) and then using the median of these returns as the yearly plot point.

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

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Dollars in millions, except per share data	Year ended December 31				
	2010 (a)	2009 (a)	2008	2007	2006
SUMMARY OF OPERATIONS					
Interest income	\$ 11,150	\$ 12,086	\$ 6,301	\$ 6,144	\$ 4,592
Interest expense	1,920	3,003	2,447	3,197	2,309
Net interest income	9,230	9,083	3,854	2,947	2,283
Noninterest income (b)	5,946	7,145	2,442	2,944	5,422
Total revenue	15,176	16,228	6,296	5,891	7,705
Provision for credit losses (c)	2,502	3,930	1,517	315	124
Noninterest expense	8,613	9,073	3,685	3,652	3,795
Income from continuing operations before income taxes and noncontrolling interests	4,061	3,225	1,094	1,924	3,786
Income taxes	1,037	867	298	561	1,311
Income from continuing operations before noncontrolling interests	3,024	2,358	796	1,363	2,475
Income from discontinued operations (net of income taxes of \$338, \$54, \$63, \$66 and \$52) (d)	373	45	118	128	124
Net income	3,397	2,403	914	1,491	2,599
Less: Net income (loss) attributable to noncontrolling interests	(15)	(44)	32	24	4
Preferred stock dividends (e)	146	388	21		1
Preferred stock discount accretion and redemptions (e)	255	56			
Net income attributable to common shareholders (e)	\$ 3,011	\$ 2,003	\$ 861	\$ 1,467	\$ 2,594
PER COMMON SHARE					
Basic earnings					
Continuing operations	\$ 5.08	\$ 4.30	\$ 2.15	\$ 4.02	\$ 8.39
Discontinued operations (d)	.72	.10	.34	.38	.42
Net income	\$ 5.80	\$ 4.40	\$ 2.49	\$ 4.40	\$ 8.81
Diluted earnings					
Continuing operations	\$ 5.02	\$ 4.26	\$ 2.10	\$ 3.94	\$ 8.29
Discontinued operations (d)	.72	.10	.34	.38	.42
Net income	\$ 5.74	\$ 4.36	\$ 2.44	\$ 4.32	\$ 8.71
Book value	\$ 56.29	\$ 47.68	\$ 39.44	\$ 43.60	\$ 36.80
Cash dividends declared	\$.40	\$.96	\$ 2.61	\$ 2.44	\$ 2.15

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

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

Amount for 2006 includes the impact of a pretax gain of \$2.1 billion on the BlackRock/Merrill Lynch Investment Managers transaction.

(c) Amount for 2008 includes the \$504 million conforming provision for credit losses related to our National City acquisition.

(d) Includes results of operations for GIS for all years presented and the related after-tax gain on sale. We sold GIS effective July 1, 2010, resulting in a pretax gain of \$639 million, or \$328 million after taxes, which was recognized during the third quarter of 2010. See Sale of PNC Global Investment Servicing in the Executive Summary section of Item 7 and Note 2 Divestiture in the Notes To Consolidated Financial Statements included in Item 8 of this Report for additional information.

(e) We redeemed the Series N (TARP) Preferred Stock on February 10, 2010. In connection with the redemption, we accelerated the accretion of the remaining issuance discount on the Series N Preferred Stock and recorded a corresponding reduction in retained earnings of \$250 million in the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share. The Series N Preferred Stock was issued on December 31, 2008.

Certain prior period amounts have been reclassified to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements.

For information regarding certain business risks, see Item 1A Risk Factors and the Risk Management section of Item 7 of this Report. Also, see our Cautionary Statement Regarding Forward-Looking Information included in Item 7 of this Report for certain risks and uncertainties that

could cause actual results to differ materially from those anticipated in forward-looking statements or from historical performance.

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Dollars in millions, except as noted	At or for the year ended December 31				
	2010 (a)	2009 (a)	2008 (b)	2007	2006
BALANCE SHEET HIGHLIGHTS					
Assets	\$ 264,284	\$ 269,863	\$ 291,081	\$ 138,920	\$ 101,820
Loans	150,595	157,543	175,489	68,319	50,105
Allowance for loan and lease losses	4,887	5,072	3,917	830	560
Interest-earning deposits with banks	1,610	4,488	14,859	346	339
Investment securities	64,262	56,027	43,473	30,225	23,191
Loans held for sale	3,492	2,539	4,366	3,927	2,366
Goodwill and other intangible assets	10,753	12,909	11,688	9,551	4,043
Equity investments	9,220	10,254	8,554	6,045	5,330
Noninterest-bearing deposits	50,019	44,384	37,148	19,440	16,070
Interest-bearing deposits	133,371	142,538	155,717	63,256	50,231
Total deposits	183,390	186,922	192,865	82,696	66,301
Borrowed funds (c)	39,488	39,261	52,240	30,931	15,028
Total shareholders' equity	30,242	29,942	25,422	14,854	10,788
Common shareholders' equity	29,596	22,011	17,490	14,847	10,781
ASSETS UNDER ADMINISTRATION (billions)					
Discretionary assets under management	\$ 108	\$ 103	\$ 103	\$ 74	\$ 55
Non-discretionary assets under management	104	102	125	112	85
Total assets under administration	\$ 212	\$ 205	\$ 228	\$ 186	\$ 140
SELECTED RATIOS					
From continuing operations					
Noninterest income to total revenue	39	44	39	50	70
Efficiency	57	56	59	62	49
From net income					
Net interest margin (d)	4.14%	3.82%	3.37%	3.00%	2.92%
Return on					
Average common shareholders' equity	10.88	9.78	6.52	10.70	28.01
Average assets	1.28	.87	.64	1.21	2.74
Loans to deposits	82	84	91	83	76
Dividend payout	6.8	21.4	104.6	55.0	24.4
Tier 1 common	9.8	6.0	4.8	5.4	8.7
Tier 1 risk-based	12.1	11.4	9.7	6.8	10.4
Common shareholders' equity to total assets	11.2	8.2	6.0	10.7	10.6
Average common shareholders' equity to average assets	10.4	7.2	9.6	11.3	9.8
SELECTED STATISTICS					
Employees	50,769	55,820	59,595	28,320	23,783
Retail Banking branches	2,470	2,513	2,581	1,102	848
ATMs	6,673	6,473	6,233	3,900	3,581
Residential mortgage servicing portfolio (billions)	\$ 139	\$ 158	\$ 187		
Commercial mortgage servicing portfolio (billions)	\$ 266	\$ 287	\$ 270	\$ 243	\$ 200

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

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

(c) Includes long-term borrowings of \$24.8 billion, \$26.3 billion, \$33.6 billion, \$12.6 billion and \$6.6 billion for 2010, 2009, 2008, 2007 and 2006, respectively. Borrowings which mature more than one year after December 31, 2010 are considered to be long-term.

(d) Calculated as taxable-equivalent net interest income divided by average earning assets. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of net interest margins for all earning assets, we use net interest income on a taxable-equivalent basis in calculating net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement. The taxable-equivalent adjustments to net interest income for the years 2010, 2009, 2008, 2007 and 2006 were \$81 million, \$65

million, \$36 million, \$27 million and \$25 million, respectively.

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ITEM 7 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

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

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

On December 31, 2008, PNC acquired National City. Our consolidated financial statements for 2009 and 2010 reflect the impact of National City.

KEY STRATEGIC GOALS

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

Our strategy to enhance shareholder value centers on driving growth in pre-tax, pre-provision earnings by achieving growth in revenue from our balance sheet and diverse business mix that exceeds growth in expenses controlled through disciplined cost management.

The primary drivers of revenue growth are the acquisition, expansion and retention of customer relationships. We strive to expand our customer base by offering convenient banking options and leading technology solutions, providing a broad range of fee-based and credit products and services, focusing on customer service, and through a significantly enhanced branding initiative. This strategy is designed to give our consumer customers choices based on their needs. Rather than striving to optimize fee revenue in the short term, our approach is focused on effectively growing targeted market share and share of wallet. We may also grow revenue through appropriate and targeted acquisitions and, in certain businesses, by expanding into new geographical markets.

We are focused on our strategies for quality growth. We are committed to re-establishing a moderate risk profile characterized by disciplined credit management and limited exposure to earnings volatility resulting from interest rate fluctuations and the shape of the interest rate yield curve. We made substantial progress in transitioning our balance sheet throughout 2009 and 2010, working to return to our moderate

risk philosophy throughout our expanded franchise. Our actions have created a well-positioned balance sheet, strong bank level liquidity and investment flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

We also expect to build capital via retained earnings while having opportunities to return capital to shareholders during 2011 subject to regulatory approvals. See the Funding and Capital Sources section of the Consolidated Balance Sheet Review section and the Liquidity Risk Management section of this Item 7 and the Supervision and Regulation section in Item 1 of this Report.

SALE OF PNC GLOBAL INVESTMENT SERVICING

On July 1, 2010, we sold PNC Global Investment Servicing Inc. (GIS), a leading provider of processing, technology and business intelligence services to asset managers, broker-dealers and financial advisors worldwide, for \$2.3 billion in cash pursuant to a definitive agreement entered into on February 2, 2010. The pretax gain recorded in the third quarter of 2010 related to this sale was \$639 million, or \$328 million after taxes.

Results of operations of GIS through June 30, 2010 and the related after-tax gain on sale in the third quarter of 2010 are presented as income from discontinued operations, net of income taxes, on our Consolidated Income Statement for the periods presented in this Report. Once we entered into the sales agreement, GIS was no longer a reportable business segment. Further information regarding the GIS sale is included in Note 2 Divestiture in the Notes To Consolidated Financial Statements in Item 8 of this Report.

RECENT MARKET AND INDUSTRY DEVELOPMENTS

The economic turmoil that began in the middle of 2007 and continued through most of 2008 and 2009 has settled into a modest economic recovery. This has been accompanied by dramatic changes in the competitive landscape.

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Beginning in late 2008, efforts by the Federal government, including the US Congress, the US Department of the Treasury, the Federal Reserve, the FDIC, and the Securities and Exchange Commission, to stabilize and restore confidence in the financial services industry have impacted and will likely continue to impact PNC and our stakeholders. These efforts, which will continue to evolve, include the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, Dodd-Frank, in particular, and other legislative, administrative and regulatory initiatives, including the new rules set forth in Regulation E related to overdraft charges.

Dodd-Frank is extensive, complicated and comprehensive legislation that impacts practically all aspects of a banking organization. Dodd-Frank will negatively impact revenue and increase both the direct and indirect costs of doing business

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for PNC. It includes provisions that could increase regulatory fees and deposit insurance assessments and impose heightened capital and prudential standards, while at the same time impacting the nature and costs of PNC's businesses, including consumer lending, private equity investment, derivatives transactions, interchange fees on debit card transactions, and asset securitizations.

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

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

Dodd-Frank also establishes, as an independent agency that is organized as a bureau within the Federal Reserve, the Bureau of Consumer Financial Protection (CFPB). Starting July 21, 2011, the CFPB will have the authority to prescribe rules governing the provision of consumer financial products and services, and it is expected that the CFPB will issue new regulations, and amend existing regulations, regarding consumer protection practices. Also on that date, the authority of the OCC to examine PNC Bank, N.A. for compliance with consumer protection laws, and to enforce such laws, will transfer to CFPB.

Additionally, new provisions concerning the applicability of state consumer protection laws will become effective on July 21, 2011. Questions may arise as to whether certain state consumer financial laws that may have previously been preempted are no longer preempted after this date. Depending on how such questions are resolved, we may experience an increase in regulation of our retail banking business and additional compliance obligations, revenue impacts, and costs.

Dodd-Frank and its implementation, as well as other statutory and regulatory initiatives that will be ongoing, will introduce numerous regulatory changes over the next several years. While we believe that we are well positioned to navigate through this process, we cannot predict the ultimate impact of these actions on PNC's business plans and strategies.

RESIDENTIAL MORTGAGE FORECLOSURE MATTERS

Beginning in the third quarter of 2010, mortgage foreclosure documentation practices among US financial institutions received heightened attention by regulators and the media. PNC's US market share for residential servicing is less than 2%. The vast majority of our servicing business is on behalf of other investors, principally the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Following the initial reports regarding these practices, we conducted an internal review of our foreclosure procedures. Based upon our review, we believe that PNC has systems designed to ensure that no foreclosure proceeds unless the loan is genuinely in default. On average, our residential mortgage loans are delinquent approximately six months before foreclosure proceedings are initiated.

Similar to other banks, however, we identified issues regarding some of our foreclosure practices. Accordingly, we delayed pursuing individual foreclosures and are moving forward on such matters only when we are confident that any pending documentation issues had been resolved. We are also proceeding with new foreclosures under enhanced procedures designed as part of this review to minimize the risk of errors related to the processing of documentation in foreclosure cases.

In addition, the Federal Reserve and the OCC, together with the FDIC and others, commenced a publicly-disclosed interagency horizontal review of residential mortgage servicing operations at PNC and thirteen other federally regulated mortgage servicers. That review is expected to result in formal enforcement actions against many or all of the companies subject to review, which actions are expected to incorporate remedial requirements, heightened mortgage servicing standards and potential civil money penalties. In particular, PNC expects that it will enter into a consent order with the Federal Reserve and that PNC Bank will enter into a consent order with the OCC. PNC anticipates that the consent orders will require, among other things, that PNC undertake certain actions described below. PNC expects that the orders will discuss certain purported deficiencies regarding, among other things, the manner in which PNC Bank handled various loan servicing activities relating to residential

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mortgage foreclosures, the resources and controls for, and risk management of, such servicing activities and oversight of certain third-party providers. PNC further expects that the orders will require commitments regarding a range of remedial actions, some of which we will already have undertaken as a result of our recent review of residential mortgage servicing procedures.

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While the two consent orders have not been finalized, PNC expects the orders to cover a range of matters. Among other things, we expect the orders to require PNC and/or PNC Bank to develop and implement written plans and programs and undertake other remedial actions with respect to various matters relating to loan servicing, loss mitigation and other foreclosure activities and operations, including, among other things, enterprise risk management, risk assessment and management, compliance, internal audit, outsourcing of foreclosure and related functions, management information systems, borrower communications, potential related financial injuries, and activities with respect to the Mortgage Electronic Registration System (a widely used electronic registry designed to track mortgage servicing rights and ownership of U.S. residential mortgage loans). We also expect that the orders will require PNC, PNC Bank and their boards to take appropriate steps to ensure compliance with the orders and with the plans and programs to be established under the orders.

For additional information, please see Risk Factors in Item 1A of this Report and Note 22 Legal Proceedings and Note 23 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report.

PNC'S PARTICIPATION IN SELECT GOVERNMENT PROGRAMS

TARP Capital Purchase Program

We redeemed the Series N (TARP) Preferred Stock on February 10, 2010. In connection with the redemption, we accelerated the accretion of the remaining issuance discount on the Series N Preferred Stock and recorded a corresponding reduction in retained earnings of \$250 million in the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share. See Repurchase of Outstanding TARP Preferred Stock and Sale by US Treasury of TARP Warrant in Note 18 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

FDIC Temporary Liquidity Guarantee Program

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

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

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

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

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

Beginning January 1, 2010, PNC Bank, N.A. ceased participating in this program. Dodd-Frank, however, extended the program for all banks for two years, beginning December 31, 2010. Therefore, PNC Bank, N.A. is again participating in the program, through December 31, 2012.

Home Affordable Modification Program (HAMP)

As part of its effort to stabilize the US housing market, in March 2009 the Obama Administration published detailed guidelines implementing HAMP, and authorized servicers to begin loan modifications. PNC began participating in HAMP through its then subsidiary National City Bank in May 2009 and directly through PNC Bank, N.A. in July 2009, and entered into an agreement on October 1, 2010 to participate in the Second Lien Program. HAMP is scheduled to terminate as of December 31, 2012.

Home Affordable Refinance Program (HARP)

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Another part of its efforts to stabilize the US housing market is the Obama Administration's Home Affordable Refinance Program (HARP), which provided a means for certain borrowers to refinance their mortgage loans. PNC began participating in HARP in May 2009. The program terminates as of June 10, 2011.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

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

General economic conditions, including the speed and stamina of the moderate economic recovery in general and on our customers in particular,

The level of, and direction, timing and magnitude of movement in, interest rates and the shape of the interest rate yield curve,

The functioning and other performance of, and availability of liquidity in, the capital and other financial markets,

Loan demand, utilization of credit commitments and standby letters of credit, and asset quality,

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Customer demand for other products and services,
 Changes in the competitive and regulatory landscape and in counterparty creditworthiness and performance as the financial services industry restructures in the current environment,
 The impact of the extensive reforms enacted in the Dodd-Frank legislation and other legislative, regulatory and administrative initiatives, including those outlined above, and
 The impact of market credit spreads on asset valuations.

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

Further success in the acquisition, growth and retention of customers,
 Continued development of the geographic markets related to our recent acquisitions, including full deployment of our product offerings,
 Revenue growth,
 A sustained focus on expense management, and creating positive pre-tax, pre-provision earnings,
 Managing the distressed assets portfolio and other impaired assets,
 Improving our overall asset quality and continuing to meet evolving regulatory capital standards,
 Continuing to maintain and grow our deposit base as a low-cost funding source,
 Prudent risk and capital management related to our efforts to return to our desired moderate risk profile, and
 Actions we take within the capital and other financial markets.

SUMMARY FINANCIAL RESULTS

	2010	2009
Net income (millions)	\$ 3,397	\$ 2,403
Diluted earnings per common share		
Continuing operations	\$ 5.02	\$ 4.26
Discontinued operations	.72	.10
Net income	\$ 5.74	\$ 4.36
Return from net income on:		
Average common shareholders' equity	10.88%	9.78%
Average assets	1.28%	.87%

Our performance in 2010 included the following:

Net income for 2010 of \$3.4 billion was a record, up 41% from 2009.

Net interest income of \$9.2 billion for 2010 was up 2% from 2009, while the net interest margin rose to 4.14% in 2010 compared with 3.82% for 2009.

Noninterest income of \$5.9 billion in 2010 declined \$1.2 billion compared with 2009. On December 1, 2009, BlackRock acquired Barclays Global Investors (BGI) from Barclays Bank PLC. PNC recognized a pretax gain of \$1.1 billion, or \$687 million after taxes, in the fourth quarter of 2009 related to this transaction. Additional information regarding this transaction is included within the BlackRock section of our Business Segments Review section of this Item 7.

The provision for credit losses declined to \$2.5 billion in 2010 compared with \$3.9 billion in 2009 as overall credit quality continued to improve and as we took actions to reduce exposure levels during the year.

Noninterest expense for 2010 declined by 5% compared with 2009, to \$8.6 billion. We were successful in achieving our acquisition cost savings goal of \$1.8 billion on an annualized basis in the fourth quarter of 2010, well ahead of the original target amount and schedule. We also continued to invest in customer growth and innovation initiatives.

Overall credit quality continued to improve during 2010. Nonperforming assets declined \$1.0 billion to \$5.3 billion as of December 31, 2010 from December 31, 2009. Accruing loans past due decreased \$1.4 billion, or 42%, during 2010 to \$1.9 billion at year end. The allowance for loan and lease losses (ALLL) was \$4.9 billion, or 3.25% of total loans and 109% of nonperforming loans, as of December 31, 2010.

We remain committed to responsible lending to support economic growth. Loans and commitments originated and renewed totaled approximately \$149 billion for 2010, including \$3.5 billion of small business loans. Total loans were \$150.6 billion at December 31, 2010, a decline of 4% from \$157.5 billion at December 31, 2009.

Total deposits were \$183.4 billion at December 31, 2010 compared with \$186.9 billion at the prior year end. Growth in transaction deposits (money market and demand) continued with an increase of \$8.4 billion, or 7%, for the year. Higher cost retail certificates of deposit were reduced by \$11.3 billion, or 23%, during 2010.

Our transition to a higher quality balance sheet during 2010 reflected core funding with a loan to deposit ratio of 82% at year end and a strong bank liquidity position to support growth.

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We sold 7.5 million BlackRock common shares for a pretax gain of \$160 million as part of BlackRock's secondary common stock offering in November 2010 with the effect of reducing PNC's economic interest in BlackRock to approximately 20% from 24% prior to the offering.

We grew common equity by \$7.6 billion during 2010. The Tier 1 common capital ratio was 9.8% at December 31, 2010, up 380 basis points from December 31, 2009.

Our Consolidated Income Statement Review section of this Item 7 describes in greater detail the various items that impacted our results for 2010 and 2009.

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BALANCE SHEET HIGHLIGHTS

Total assets were \$264.3 billion at December 31, 2010 compared with \$269.9 billion at December 31, 2009. The decline from year end 2009 resulted from a decline in loans, other assets and short-term investments and cash somewhat offset by an increase in investment securities.

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

The Consolidated Balance Sheet Review section of this Item 7 provides information on changes in selected Consolidated Balance Sheet categories at December 31, 2010 compared with December 31, 2009.

Total average assets were \$264.9 billion for 2010 compared with \$276.9 billion for 2009.

Average interest-earning assets were \$224.7 billion for 2010, compared with \$238.5 billion in 2009. Decreases of \$11.9 billion in loans and \$6.5 billion in other interest-earning assets, partially offset by a \$5.7 billion increase in investment securities, drove the decrease in this comparison.

The decrease in average total loans reflected a decline in commercial loans of \$6.8 billion, commercial real estate loans of \$4.3 billion and residential mortgage loans of \$3.4 billion, partially offset by an increase of \$2.6 billion in consumer loans. Loans represented 68% of average interest-earning assets for 2010 and 69% for 2009.

Average securities available for sale increased \$2.7 billion, to \$50.8 billion, in 2010 compared with 2009. Average US Treasury and government agencies securities increased \$3.1 billion while agency residential mortgage-backed securities increased \$1.5 billion and other debt securities increased \$1.5 billion in the comparison. These increases were partially offset by a decline of \$2.8 billion in average non-agency residential mortgage-backed securities and a decline of \$1.1 billion in commercial mortgage-backed securities.

Average securities held to maturity increased \$3.0 billion, to \$7.2 billion, in 2010 compared with 2009. The increase reflected purchases of asset-backed and non-agency commercial mortgage-backed securities, the transfer of non-agency commercial mortgage-backed securities from the available for sale portfolio, and the impact of the Market Street Funding LLC (Market Street) consolidation effective January 1, 2010.

Total investment securities comprised 26% of average interest-earning assets for 2010 and 22% for 2009.

Average noninterest-earning assets totaled \$40.2 billion in 2010 compared with \$38.4 billion in the prior year period.

Average total deposits were \$181.9 billion for 2010 compared with \$189.9 billion for 2009. Average deposits declined from the prior year period primarily as a result of decreases in retail certificates of deposit and other time deposits, which were partially offset by an increase in transaction deposits. Average transaction deposits were \$128.4 billion for 2010 compared with \$120.2 billion for 2009 reflecting our strategy to grow demand and money market deposits. Total deposits at December 31, 2010 were \$183.4 billion compared with \$186.9 billion at December 31, 2009 and are further discussed within the Consolidated Balance Sheet Review section of this Report.

Average total deposits represented 69% of average total assets for both 2010 and 2009.

Average borrowed funds were \$40.2 billion for 2010 compared with \$44.1 billion for 2009. A \$6.2 billion decline in Federal Home Loan Bank borrowings drove the decline in the comparison, partially offset by higher average commercial paper borrowings that reflected the consolidation of Market Street.

Total borrowed funds at December 31, 2010 were \$39.5 billion compared with \$39.3 billion at December 31, 2009 and are further discussed within the Consolidated Balance Sheet Review section of this Item 7. In addition, the Liquidity Risk Management portion of the Risk Management section of this Item 7 includes additional information regarding our sources and uses of borrowed funds.

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BUSINESS SEGMENT HIGHLIGHTS

Highlights of results for 2010 and 2009 are included below. As a result of its sale, GIS is no longer a reportable business segment.

We refer you to Item 1 of this Report under the captions Business Overview and Review of Business Segments for an overview of our business segments and to the Business Segments Review section of this Item 7 for a Results Of Businesses Summary table and further analysis of business segment results for 2010 and 2009, including presentation differences from Note 25 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report.

We provide a reconciliation of total business segment earnings to PNC consolidated income from continuing operations before noncontrolling interests as reported on a GAAP basis in Note 25.

Retail Banking

Retail Banking earned \$140 million for 2010 compared with \$136 million in 2009. Earnings were primarily driven by a decrease in the provision for credit losses due to improved credit quality and lower noninterest expense from acquisition cost savings. These factors were partially offset by a decline in revenue related to the implementation of Regulation E rules related to overdraft fees and the impact of the low interest rate environment. Retail Banking continued to maintain its focus on growing customers and deposits, improving customer and employee satisfaction, investing in the business for future growth, and disciplined expense management during this period of market and economic uncertainty.

Corporate & Institutional Banking

Corporate & Institutional Banking earned a record \$1.8 billion in 2010 compared with \$1.2 billion 2009. The increase in earnings primarily resulted from a decrease in the provision for credit losses somewhat offset by lower net interest income driven mainly by lower loan balances. We continued to focus on adding new clients and increased our cross selling to serve our clients needs, particularly in the western markets, and remained committed to strong expense discipline.

Asset Management Group

Asset Management Group earned \$141 million for 2010 compared with \$105 million for 2009. The increase reflected a lower provision for credit losses due to improved credit quality and increased noninterest income from higher equity markets and new client growth. These increases were partially offset by lower net interest income from lower loan yields. The business delivered strong performance in 2010 as it remained focused on new client acquisition, client asset growth and expense discipline.

Residential Mortgage Banking

Residential Mortgage Banking earned \$275 million in 2010 compared with \$435 million in 2009. The decline in earnings was driven by a decrease in loan sales revenue from lower origination volumes and lower net hedging gains on mortgage servicing rights.

BlackRock

Our BlackRock business segment earned \$351 million in 2010 and \$207 million in 2009. The benefits of BlackRock's December 2009 acquisition of Barclays Global Investors (BGI) and improved capital markets conditions contributed to higher earnings at BlackRock.

Distressed Assets Portfolio

This business segment consists primarily of assets acquired through acquisitions and had a loss of \$64 million for 2010 compared with earnings of \$84 million for 2009. The decrease was primarily driven by a higher provision for credit losses.

Other

Other reported earnings of \$411 million for 2010 compared with \$201 million for 2009. Results for 2009 included higher other-than-temporary impairment (OTTI) charges and integration costs compared with the 2010, alternative investment writedowns, a \$133 million special FDIC assessment, and equity management losses.

Table of Contents**CONSOLIDATED INCOME STATEMENT REVIEW**

Net income for 2010 was \$3.4 billion compared with \$2.4 billion for 2009. Results for 2010 include the impact of a \$328 million after-tax gain related to our sale of GIS. Results for 2009 include the impact of a \$687 million after-tax gain resulting from BlackRock's acquisition of BGI. Our Consolidated Income Statement is presented in Item 8 of this Report.

NET INTEREST INCOME AND NET INTEREST MARGIN

Year ended December 31

Dollars in millions	2010	2009
Net interest income	\$ 9,230	\$ 9,083
Net interest margin	4.14%	3.82%

Changes in net interest income and margin result from the interaction of the volume and composition of interest-earning assets and related yields, interest-bearing liabilities and related rates paid, and noninterest-bearing sources of funding. See the Statistical Information (Unaudited) Analysis Of Year-To-Year Changes In Net Interest Income and Average Consolidated Balance Sheet And Net Interest Analysis in Item 8 of this Report for additional information.

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

As further discussed in the Retail Banking section of the Business Segments Review portion of this Item 7, the Credit CARD Act of 2009 negatively impacted 2010 revenues by approximately \$75 million, largely in net interest income.

The net interest margin was 4.14% for 2010 and 3.82% for 2009. The following factors impacted the comparison:

A decrease in the rate accrued on interest-bearing liabilities of 49 basis points. The rate accrued on interest-bearing deposits, the largest component, decreased 47 basis points.

A decrease in the yield on interest-earning assets of 10 basis points. The yield on loans, the largest portion of our interest-earning assets, increased only 1 basis point and was more than offset by the 102 basis point decline in yield on investment securities.

The benefit of noninterest-bearing sources of funding decreased 7 basis points primarily due to the decline in interest rates.

We expect that our purchase accounting accretion will decrease by as much as \$700 million in 2011. Excluding the impact of this factor, we expect our net interest income to increase in 2011. Overall, we also expect that our net interest margin will decline in 2011.

*NONINTEREST INCOME*Summary

Noninterest income was \$5.9 billion in 2010, a decline of \$1.2 billion from \$7.1 billion in 2009. Noninterest income for 2009 included the \$1.1 billion pretax gain recognized on our portion of the increase in BlackRock's equity resulting from the value of BlackRock shares issued in connection with BlackRock's acquisition of BGI.

Aside from the impact of the 2009 BlackRock/BGI gain, lower noninterest income in 2010 reflected the impact of decreases in the following: residential mortgage loan sales revenue, the value of commercial mortgage servicing rights, net hedging gains on residential mortgage servicing rights, service charges on deposits including the negative impact of the new Regulation E rules, and net gains on sales of securities. Partially offsetting these items were lower OTTI charges, higher asset management revenue, a fourth quarter 2010 gain on 7.5 million BlackRock common shares sold by PNC as part of a BlackRock secondary common stock offering and higher revenue from capital markets-related products and services including merger and acquisition advisory fees.

Additional Analysis

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Asset management revenue was \$1.1 billion in 2010 compared with \$858 million in 2009. This increase reflected higher equity earnings from our BlackRock investment, improved equity markets and client growth. Discretionary assets under management at December 31, 2010 totaled \$108 billion compared with \$103 billion at December 31, 2009.

Consumer services fees totaled \$1.3 billion in both 2010 and 2009. Consumer service fees for 2010 reflected higher volume-related transaction fees offset by lower brokerage fees and the impact of the consolidation of the securitized credit card portfolio.

Corporate services revenue totaled \$1.1 billion in 2010 and \$1.0 billion in 2009. The increase was largely the result of higher merger and acquisition advisory and ancillary commercial mortgage servicing fees partially offset by a reduction in the value of commercial mortgage servicing rights largely driven by lower interest rates. Corporate services fees include the noninterest component of treasury management fees, which continued to be a strong contributor to revenue.

Residential mortgage revenue totaled \$699 million in 2010 compared with \$990 million in 2009. The decline in 2010 reflected reduced loan sales revenue following the strong loan origination refinance volume in 2009 and lower net hedging gains on mortgage servicing rights.

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Service charges on deposits totaled \$705 million for 2010 and \$950 million for 2009. The decrease in 2010 was due to lower overdraft charges and required branch divestitures in the third quarter of 2009. As further discussed in the Retail Banking section of the Business Segments Review portion of this Item 7, the new Regulation E rules related to overdraft charges negatively impacted our 2010 revenue by approximately \$145 million.

Net gains on sales of securities were \$426 million for 2010 and \$550 million for 2009. OTTI credit losses on securities recognized in earnings totaled \$325 million in 2010 and \$577 million in 2009. We expect the level of credit-related OTTI charges to decline in 2011 compared with 2010.

Gains on BlackRock related transactions included a fourth quarter 2010 pretax gain of \$160 million from our sale of 7.5 million BlackRock common shares as part of a BlackRock secondary common stock offering. During the fourth quarter of 2009, we recognized a \$1.1 billion pretax gain on PNC's portion of the increase in BlackRock's equity resulting from the value of BlackRock shares issued by BlackRock in connection with its acquisition of BGI.

Other noninterest income totaled \$884 million for 2010 compared with \$987 million for 2009. Other noninterest income for 2009 included gains of \$103 million primarily related to our BlackRock LTIP shares obligation. Other noninterest income for 2010 included net gains on private equity and alternative investments of \$258 million, compared with net losses on private equity and alternative investments of \$93 million in 2009. Gains on sales of loans were \$73 million in 2010 and \$220 million in 2009.

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

Looking to 2011, we see momentum in our fee-based revenues resulting from client growth and depth in our expanded franchise. At the same time, we will see the continued impact of ongoing regulatory reforms. Excluding the expected incremental negative impact of two aspects of anticipated regulatory changes on fees related to Regulation E and interchange rates of approximately \$400 million in 2011 as further discussed in the Retail Banking section of Business Segments Review in this Item 7, we expect noninterest income in 2011 to increase in the low-to-mid single digits compared with 2010.

PRODUCT REVENUE

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

Treasury management revenue, which includes fees as well as net interest income from customer deposit balances, totaled \$1.2 billion for 2010 and \$1.1 billion for 2009. The increase was primarily related to deposit growth and continued growth in purchasing cards and lockbox as well as services provided to the Federal government and healthcare customers.

Revenue from capital markets-related products and services totaled \$618 million in 2010 compared with \$533 million in 2009. The increase was due to higher merger and acquisition advisory, underwriting and syndications fees, partially offset by lower gains on loan sales from portfolio management activities.

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

Commercial mortgage banking activities resulted in revenue of \$262 million in 2010 compared with \$485 million in 2009. This decline was primarily due to sales of servicing and a decrease in the net carrying amount of commercial mortgage servicing rights. These decreases were partially offset by higher ancillary commercial mortgage servicing fees.

PROVISION FOR CREDIT LOSSES

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The provision for credit losses totaled \$2.5 billion for 2010 compared with \$3.9 billion for 2009. The lower provision in 2010 reflected credit exposure reductions and overall improved credit migration during 2010.

We anticipate an overall improvement in credit migration in 2011 and a continued reduction in our nonperforming loans assuming modest GDP growth. As a result, we expect that our average quarterly provision for credit losses in 2011 to be less than the fourth quarter 2010 provision for credit losses of \$442 million, assuming budgeted loan growth projections. If our expectations hold, this would result in our full year 2011 provision for credit losses to be at least \$800 million less than our full year 2010 provision for credit losses.

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

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NONINTEREST EXPENSE

Noninterest expense for 2010 declined 5%, to \$8.6 billion, compared with \$9.1 billion for 2009. The impact of higher cost savings related to the National City acquisition integration and the reversal of certain accrued liabilities in 2010, including \$73 million associated with a franchise tax settlement and \$123 million associated with an indemnification liability for certain Visa litigation, were reflected in the lower 2010 expenses. Lower expenses in the comparison also reflected a special FDIC assessment, intended to build the FDIC's Deposit Insurance Fund, of \$133 million in 2009. We also continued to invest in customer growth and innovation initiatives.

National City integration costs totaled \$387 million in 2010 and \$421 million in 2009. We achieved National City acquisition cost savings of \$1.8 billion on an annualized basis in the fourth quarter of 2010 through the reduction of

operational and administrative redundancies. This amount was higher than our original goal of \$1.2 billion, and ahead of schedule. During 2010, we completed the customer and branch conversions to our technology platforms and integrated the businesses and operations of National City with those of PNC.

We expect that total noninterest expense in 2011 will be less than total noninterest expense in 2010, with the magnitude of the decline dependent upon the pace of our investment in business growth opportunities.

EFFECTIVE TAX RATE

The effective tax rate was 25.5% for 2010 compared with 26.9% for 2009. The decrease in the effective tax rate was primarily due to a favorable IRS letter ruling in 2010 that resolved a prior tax position and resulted in a tax benefit of \$89 million.

Table of Contents**CONSOLIDATED BALANCE SHEET REVIEW****SUMMARIZED BALANCE SHEET DATA**

In millions	Dec. 31 2010	Dec. 31 2009
Assets		
Loans	\$ 150,595	\$ 157,543
Investment securities	64,262	56,027
Cash and short-term investments	10,437	13,290
Loans held for sale	3,492	2,539
Goodwill and other intangible assets	10,753	12,909
Equity investments	9,220	10,254
Other, net	15,525	17,301
Total assets	\$ 264,284	\$ 269,863
Liabilities		
Deposits	\$ 183,390	\$ 186,922
Borrowed funds	39,488	39,261
Other	8,568	11,113
Total liabilities	231,446	237,296
Total shareholders' equity	30,242	29,942
Noncontrolling interests	2,596	2,625
Total equity	32,838	32,567
Total liabilities and equity	\$ 264,284	\$ 269,863

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

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

Total assets and liabilities at December 31, 2010 included \$5.2 billion and \$3.5 billion, respectively, related to Market Street and a credit card securitization trust as more fully described in the Off-Balance Sheet Arrangements And Variable Interest Entities section of this Item 7 and Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Item 8 of this Report.

An analysis of changes in selected balance sheet categories follows.

LOANS

A summary of the major categories of loans outstanding follows. Outstanding loan balances reflect unearned income, unamortized discount and premium, and purchase discounts and premiums totaling \$2.7 billion at December 31, 2010 and \$3.2 billion at December 31, 2009. The balances do not include future accretable net interest (i.e., the difference between the undiscounted expected cash flows and the recorded investment in the loan) on the purchased impaired loans.

Loans decreased \$6.9 billion, or 4%, as of December 31, 2010 compared with December 31, 2009. An increase in loans of \$3.5 billion from the initial consolidation of Market Street and the securitized credit card portfolio effective January 1, 2010 was more than offset by the impact of soft customer loan demand combined with loan repayments and payoffs in the distressed assets portfolio.

Loans represented 57% of total assets at December 31, 2010 and 58% at December 31, 2009. Commercial lending represented 53% of the loan portfolio and consumer lending represented 47% at both December 31, 2010 and December 31, 2009.

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

Details Of Loans

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	Dec. 31	Dec. 31
In millions	2010	2009
Commercial		
Retail/wholesale	\$ 9,901	\$ 9,515
Manufacturing	9,334	9,880
Service providers	8,866	8,256
Real estate related (a)	7,500	7,403
Financial services	4,573	3,874
Health care	3,481	2,970
Other	11,522	12,920
Total commercial	55,177	54,818
Commercial real estate		
Real estate projects	12,211	15,582
Commercial mortgage	5,723	7,549
Total commercial real estate	17,934	23,131
Equipment lease financing	6,393	6,202
TOTAL COMMERCIAL LENDING (b)	79,504	84,151
Consumer		
Home equity		
Lines of credit	23,473	24,236
Installment	10,753	11,711
Residential real estate		
Residential mortgage	15,292	18,190
Residential construction	707	1,620
Credit card	3,920	2,569
Education	9,196	7,468
Automobile	2,983	2,013
Other	4,767	5,585
TOTAL CONSUMER LENDING	71,091	73,392
Total loans	\$ 150,595	\$ 157,543

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

(b) Construction loans with interest reserves and A Note/B Note restructurings are not significant to PNC.

Total loans above include purchased impaired loans of \$7.8 billion, or 5% of total loans, at December 31, 2010, and \$10.3 billion, or 7% of total loans, at December 31, 2009.

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We are committed to providing credit and liquidity to qualified borrowers. Total loan originations and new commitments and renewals totaled \$149 billion for 2010.

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

Commercial lending is the largest category and is the most sensitive to changes in assumptions and judgments underlying the determination of the ALLL. This estimate also considers other relevant factors such as:

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

Higher Risk Loans

Our loan portfolio includes certain loans deemed to be higher risk and therefore more likely to result in credit losses. We

established specific and pooled reserves on the total commercial lending category of \$2.6 billion at December 31, 2010. This commercial lending reserve included what we believe to be adequate and appropriate loss coverage on the higher risk commercial loans in the total commercial portfolio. The commercial lending reserve represented 53% of the total ALLL of \$4.9 billion at that date. The remaining 47% of the ALLL pertained to the total consumer lending category. This category of loans is more homogenous in nature and has certain characteristics that can be assessed at a total portfolio level in terms of loans representing higher risk. We do not consider government insured/government guaranteed loans to be higher risk as we do not believe these loans will result in a significant loss because of their structure. Additional information regarding our higher risk loans is included in Note 5 Asset Quality and Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

Information related to purchased impaired loans, purchase accounting accretion and accretable net interest recognized during 2010 and 2009 in connection with our acquisition of National City follows.

Valuation of Purchased Impaired Loans

Dollars in billions	December 31, 2008		December 31, 2009		December 31, 2010	
	Balance	Net Investment	Balance	Net Investment	Balance	Net Investment
Commercial and commercial real estate loans:						
Unpaid principal balance	\$ 6.3		\$ 3.5		\$ 1.8	
Purchased impaired mark	(3.4)		(1.3)		(.4)	
Recorded investment	2.9		2.2		1.4	
Allowance for loan losses			(.2)		(.3)	
Net investment	2.9	46%	2.0	57%	1.1	61%
Consumer and residential mortgage loans:						
Unpaid principal balance	15.6		11.7		7.9	
Purchased impaired mark	(5.8)		(3.6)		(1.5)	
Recorded investment	9.8		8.1		6.4	
Allowance for loan losses			(.3)		(.6)	
Net investment	9.8	63%	7.8	67%	5.8	73%
Total purchased impaired loans:						
Unpaid principal balance	21.9		15.2		9.7	
Purchased impaired mark	(9.2)		(4.9)		(1.9)	
Recorded investment	12.7		10.3		7.8	

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Allowance for loan losses			(.5)		(.9)(a)	
Net investment	\$ 12.7	58%	\$ 9.8	64%	\$ 6.9	71%

(a) Impairment reserves of \$.9 billion at December 31, 2010 reflect impaired loans with further credit quality deterioration since acquisition. This deterioration was more than offset by the cash received to date in excess of recorded investment of \$.7 billion and the net reclassification to accretable net interest, to be recognized over time, of \$1.1 billion.

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The unpaid principal balance of purchased impaired loans declined from \$15.2 billion at December 31, 2009 to \$9.7 billion at December 31, 2010 due to amounts determined to be uncollectible, payoffs and disposals. The remaining purchased impaired mark at December 31, 2010 was \$1.9 billion which was a decline from \$4.9 billion at December 31, 2009. The net investment of \$9.8 billion at December 31, 2009 declined 30% to \$6.9 billion at December 31, 2010 primarily due to payoffs, disposals and further impairment partially offset by accretion during 2010. At December 31, 2010, our largest individual purchased impaired loan had a recorded investment of \$22 million.

We currently expect to collect total cash flows of \$9.1 billion on purchased impaired loans, representing the \$6.9 billion net investment at December 31, 2010 and the accretable net interest of \$2.2 billion shown in the Accretable Net Interest-Purchased Impaired Loans table that follows.

Purchase Accounting Accretion

Year ended December 31

In millions	2010	2009
Non-impaired loans	\$ 366	\$ 773
Impaired loans	885	914
Reversal of contractual interest on impaired loans	(529)	(752)
Net impaired loans	356	162
Securities	54	118
Deposits	545	996
Borrowings	(155)	(250)
Total	\$ 1,166	\$ 1,799

In addition to the amounts in the table above, cash received in excess of recorded investment from sales or payoffs of impaired commercial loans (cash recoveries) totaled \$483 million for 2010 and \$204 million for 2009. We do not expect this level of cash recoveries to be sustainable.

Remaining Purchase Accounting Accretion

In billions	Dec. 31 2008	Dec. 31 2009	Dec. 31 2010
Non-impaired loans	\$ 2.4	\$ 1.6	\$ 1.2
Impaired loans	3.7	3.5	2.2
Total loans (gross)	6.1	5.1	3.4
Securities	.2	.1	.1
Deposits	2.1	1.0	.5
Borrowings	(1.5)	(1.2)	(1.1)
Total	\$ 6.9	\$ 5.0	\$ 2.9

Accretable Net Interest Purchased Impaired Loans

In billions	
January 1, 2009	\$ 3.7
Accretion (including cash recoveries)	(1.1)
Adjustments resulting from changes in purchase price allocation	.3
Net reclassifications to accretable from non-accretable	.8
Disposals	(.2)
December 31, 2009	\$ 3.5
Accretion (including cash recoveries)	(1.4)
Net reclassifications to accretable from non-accretable	.3
Disposals	(.2)
December 31, 2010	\$ 2.2

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Net unfunded credit commitments are comprised of the following:

Net Unfunded Credit Commitments

In millions	Dec. 31 2010	Dec. 31 2009
Commercial / commercial real estate (a)	\$ 59,256	\$ 60,143
Home equity lines of credit	19,172	20,367
Consumer credit card lines	14,725	17,558
Other	2,652	2,727
Total	\$ 95,805	\$ 100,795

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

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Commercial commitments reported above exclude syndications, assignments and participations, primarily to financial institutions, totaling \$16.7 billion at December 31, 2010 and \$13.2 billion at December 31, 2009.

Unfunded credit commitments related to the consolidation of the Market Street commercial paper conduit (further described in the Off-Balance Sheet Arrangements and Variable Interest Entities section of this Item 7) totaled \$3.1 billion at December 31, 2010 and are a component of PNC's total unfunded credit commitments. These amounts are included in the preceding table within the Commercial / commercial real estate category.

Unfunded liquidity facility commitments and standby bond purchase agreements totaled \$458 million at December 31, 2010 and \$6.2 billion at December 31, 2009 and are included in the preceding table primarily within the Commercial / commercial real estate category. Due to the consolidation of Market Street, \$5.7 billion of unfunded liquidity facility commitments were no longer included in the preceding table as of December 31, 2010.

In addition to credit commitments, our net outstanding standby letters of credit totaled \$10.1 billion at December 31, 2010 and \$10.0 billion at December 31, 2009. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

Table of Contents**INVESTMENT SECURITIES***Details of Investment Securities*

In millions	Amortized Cost	Fair Value
December 31, 2010		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
US Treasury and government agencies	\$ 5,575	\$ 5,710
Residential mortgage-backed		
Agency	31,697	31,720
Non-agency	8,193	7,233
Commercial mortgage-backed		
Agency	1,763	1,797
Non-agency	1,794	1,856
Asset-backed	2,780	2,582
State and municipal	1,999	1,957
Other debt	3,992	4,077
Corporate stocks and other	378	378
Total securities available for sale	\$ 58,171	\$ 57,310
SECURITIES HELD TO MATURITY		
Debt securities		
Commercial mortgage-backed (non-agency)	\$ 4,316	\$ 4,490
Asset-backed	2,626	2,676
Other debt	10	11
Total securities held to maturity	\$ 6,952	\$ 7,177
December 31, 2009		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
US Treasury and government agencies	\$ 7,548	\$ 7,520
Residential mortgage-backed		
Agency	24,076	24,438
Non-agency	10,419	8,302
Commercial mortgage-backed		
Agency	1,299	1,297
Non-agency	4,028	3,848
Asset-backed	2,019	1,668
State and municipal	1,346	1,350
Other debt	1,984	2,015
Corporate stocks and other	360	360
Total securities available for sale	\$ 53,079	\$ 50,798
SECURITIES HELD TO MATURITY		
Debt securities		
Commercial mortgage-backed (non-agency)	\$ 2,030	\$ 2,225
Asset-backed	3,040	3,136
Other debt	159	160
Total securities held to maturity	\$ 5,229	\$ 5,521

The carrying amount of investment securities totaled \$64.3 billion at December 31, 2010, an increase of \$8.3 billion, or 15%, from \$56.0 billion at December 31, 2009. The increase in investment securities primarily reflected an increase in securities available for sale as excess liquidity was invested in short duration, high quality securities. Investment securities represented 24% of total assets at December 31, 2010 and 21% at December 31, 2009.

We evaluate our portfolio of investment securities in light of changing market conditions and other factors and, where appropriate, take steps intended to improve our overall positioning. We consider the portfolio to be well-diversified and of high quality. US Treasury and government agencies, agency residential mortgage-backed securities and agency commercial mortgage-backed securities collectively represented 61% of the

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investment securities portfolio at December 31, 2010.

In March 2010, we transferred \$2.2 billion of available for sale commercial mortgage-backed non-agency securities to the held to maturity portfolio. The transfer involved high quality securities where management's intent to hold changed.

At December 31, 2010, the securities available for sale portfolio included a net unrealized loss of \$861 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2009 was a net unrealized loss of \$2.3 billion. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally decreases when interest rates increase and vice versa. In addition, the fair value generally decreases when credit spreads widen and vice versa.

The significant decline in the net unrealized loss from December 31, 2009 was primarily the result of lower market interest rates and improving liquidity and credit spreads on non-agency residential mortgage-backed and non-agency commercial mortgage-backed securities. Net unrealized gains and losses in the securities available for sale portfolio are included in shareholders' equity as accumulated other comprehensive income or loss from continuing operations, net of tax.

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

The expected weighted-average life of investment securities (excluding corporate stocks and other) was 4.7 years at December 31, 2010 and 4.1 years at December 31, 2009.

We estimate that, at December 31, 2010, the effective duration of investment securities was 3.1 years for an immediate 50 basis points parallel increase in interest rates and 2.9 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2009 were 2.9 years and 2.5 years, respectively.

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

		December 31, 2010				
		Agency		Non-agency		
		Residential Mortgage- Backed Securities	Commercial Mortgage- Backed Securities	Residential Mortgage- Backed Securities	Commercial Mortgage- Backed Securities	Asset- Backed Securities
Dollars in millions						
Fair Value Available for Sale		\$ 31,720	\$ 1,797	\$ 7,233	\$ 1,856	\$ 2,582
Fair Value Held to Maturity					4,490	2,676
Total Fair Value		\$ 31,720	\$ 1,797	\$ 7,233	\$ 6,346	\$ 5,258
% of Fair Value:						
By Vintage						
2010		41%	37%		1%	7%
2009		20%	35%		3%	15%
2008		6%	5%			16%
2007		9%	3%	18%	10%	11%
2006		5%	5%	23%	30%	13%
2005 and earlier		19%	15%	59%	56%	14%
Not Available						24%
Total		100%	100%	100%	100%	100%
By Credit Rating						
Agency		100%	100%			
AAA				7%	85%	78%
AA				4%	6%	4%
A				5%	5%	
BBB				5%	3%	1%
BB				6%	1%	
B				15%		4%
Lower than B				58%		11%
No rating						2%
Total		100%	100%	100%	100%	100%
By FICO Score						
>720				56%		3%
<720 and >660				34%		9%
<660				1%		3%
No FICO score				9%		85%
Total				100%		100%

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

We also consider the severity of the impairment and the length of time that the security has been impaired in our assessment. Results of the periodic assessment are reviewed by a cross-

functional senior management team representing Asset & Liability Management, Finance, and 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.

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We recognize the credit portion of OTTI charges in current earnings for those debt securities where there is no intent to sell and it is not more likely than not that we would be required to sell the security prior to expected recovery. The noncredit portion of OTTI is included in accumulated other comprehensive loss.

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We recognized OTTI for 2010 and 2009 as follows:

Other-Than-Temporary Impairments

In millions	2010	2009
Credit portion of OTTI losses (a)		
Non-agency residential mortgage-backed	\$ (242)	\$ (444)
Non-agency commercial mortgage-backed	(5)	(6)
Asset-backed	(78)	(111)
Other debt		(12)
Marketable equity securities		(4)
Total credit portion of OTTI losses	(325)	(577)
Noncredit portion of OTTI losses (b)	(283)	(1,358)
Total OTTI losses	\$ (608)	\$ (1,935)

(a) Reduction of noninterest income in our Consolidated Income Statement.

(b) Included in accumulated other comprehensive loss, net of tax, on our Consolidated Balance Sheet.

The following table summarizes net unrealized gains and losses (including the credit and noncredit portions of OTTI) recorded on non-agency residential and commercial mortgage-backed and other asset-backed securities, which represent our most significant categories of securities not backed by the US government or its agencies. A summary of all OTTI credit losses recognized for 2010 by investment type is included in Note 7 Investment Securities in the Notes To Consolidated Financial Statements In Item 8 of this Report.

In millions	Residential Mortgage-Backed Securities		December 31, 2010 Commercial Mortgage-Backed Securities		Asset-Backed Securities (a)	
	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)
AVAILABLE FOR SALE SECURITIES (NON-AGENCY)						
Credit Rating Analysis						
AAA	\$ 538	\$ (15)	\$ 1,076	\$ 34	\$ 1,701	\$ 8
Other Investment Grade (AA, A, BBB)	1,001	(46)	713	17	54	(9)
Total Investment Grade	1,539	(61)	1,789	51	1,755	(1)
BB	419	(27)	61	7		
B	1,051	(117)	6	4	207	(39)
Lower than B	4,224	(755)			587	(142)
No Rating					29	(16)
Total Sub-Investment Grade	5,694	(899)	67	11	823	(197)
Total	\$ 7,233	\$ (960)	\$ 1,856	\$ 62	\$ 2,578	\$ (198)
OTTI Analysis						
Investment Grade:						
OTTI has been recognized	\$ 69	\$ (13)				
No OTTI recognized to date	1,470	(48)	\$ 1,789	\$ 51	\$ 1,755	\$ (1)
Total Investment Grade	1,539	(61)	1,789	51	1,755	(1)
Sub-Investment Grade:						
OTTI has been recognized	3,701	(825)	22	6	627	(190)
No OTTI recognized to date	1,993	(74)	45	5	196	(7)
Total Sub-Investment Grade	5,694	(899)	67	11	823	(197)
Total	\$ 7,233	\$ (960)	\$ 1,856	\$ 62	\$ 2,578	\$ (198)
SECURITIES HELD TO MATURITY (NON-AGENCY)						

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Credit Rating Analysis

AAA	\$ 4,314	\$ 175	\$ 2,407	\$ 47
Other Investment Grade (AA, A, BBB)	176	(1)	157	3
Total Investment Grade	4,490	174	2,564	50
BB			9	
Lower than B				
No Rating			92	
Total Sub-Investment Grade			101	
Total	\$ 4,490	\$ 174	\$ 2,665	\$ 50

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Residential Mortgage-Backed Securities

At December 31, 2010, our residential mortgage-backed securities portfolio was comprised of \$31.7 billion fair value of US government agency-backed securities and \$7.2 billion fair value of non-agency (private issuer) securities. The agency securities are generally collateralized by 1-4 family, conforming, fixed-rate residential mortgages. The non-agency securities are also generally collateralized by 1-4 family residential mortgages. The mortgage loans underlying the non-agency securities are generally non-conforming (i.e., original balances in excess of the amount qualifying for agency securities) and predominately have interest rates that are fixed for a period of time, after which the rate adjusts to a floating rate based upon a contractual spread that is indexed to a market rate (i.e., a hybrid ARM), or interest rates that are fixed for the term of the loan.

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

During 2010, we recorded OTTI credit losses of \$242 million on non-agency residential mortgage-backed securities. As of December 31, 2010, \$240 million of the credit losses related to securities rated below investment grade. As of December 31, 2010, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for non-agency residential mortgage-backed securities totaled \$838 million and the related securities had a fair value of \$3.8 billion.

The fair value of sub-investment grade investment securities for which we have not recorded an OTTI credit loss as of December 31, 2010 totaled \$2.0 billion, with unrealized net losses of \$74 million. The results of our security-level assessments indicate that we will recover the entire cost basis of these securities. Note 7 Investment Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report provides further detail regarding our process for assessing OTTI for these securities.

Commercial Mortgage-Backed Securities

The fair value of the non-agency commercial mortgage-backed securities portfolio was \$6.3 billion at December 31, 2010 and consisted of fixed-rate, private-issuer securities collateralized by non-residential properties, primarily retail properties, office buildings, and multi-family housing. The agency commercial mortgage-backed securities portfolio was \$1.8 billion fair value at December 31, 2010 consisting of multi-family housing. Substantially all of the securities are the most senior tranches in the subordination structure.

OTTI credit losses on non-agency commercial mortgage-backed securities during 2010 were not significant. In addition, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for these securities and the related fair value at December 31, 2010 were not significant. The remaining fair value of securities for which OTTI has been recorded was \$22 million. All of the credit-impaired securities were rated below investment grade.

Asset-Backed Securities

The fair value of the asset-backed securities portfolio was \$5.3 billion at December 31, 2010 and consisted of fixed-rate and floating-rate, private-issuer securities collateralized primarily by various consumer credit products, including residential mortgage loans, credit cards, and automobile loans. Substantially all of the securities are senior tranches in the securitization structure and have credit protection in the form of credit enhancement, over-collateralization and/or excess spread accounts.

We recorded OTTI credit losses of \$78 million on asset-backed securities during 2010. All of the securities were collateralized by first and second lien residential mortgage loans and were rated below investment grade. As of December 31, 2010, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for asset-backed securities totaled \$190 million and the related securities had a fair value of \$627 million.

For the sub-investment grade investment securities (available for sale and held to maturity) for which we have not recorded an OTTI loss through December 31, 2010, the remaining fair value was \$297 million, with unrealized net losses of \$7 million. The results of our security-level assessments indicate that we will recover the entire cost basis of these securities. Note 7 Investment Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report provides further detail regarding our process for assessing OTTI for these securities.

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

Table of Contents**LOANS HELD FOR SALE**

	Dec. 31	Dec. 31
In millions	2010	2009
Commercial mortgages at fair value	\$ 877	\$ 1,050
Commercial mortgages at lower of cost or market	330	251
Total commercial mortgages	1,207	1,301
Residential mortgages at fair value	1,878	1,012
Residential mortgages at lower of cost or market	12	
Total residential mortgages	1,890	1,012
Other	395	226
Total	\$ 3,492	\$ 2,539

We stopped originating certain commercial mortgage loans designated as held for sale during the first quarter of 2008 and continue pursuing opportunities to reduce these positions at appropriate prices. We sold \$241 million of commercial mortgage loans held for sale carried at fair value in 2010 and sold \$272 million in 2009.

We recognized net losses of \$18 million in 2010 on the valuation and sale of commercial mortgage loans held for sale, net of hedges. Net gains of \$107 million on the valuation and sale of commercial mortgages loans held for sale, net of hedges, were recognized in 2009.

Residential mortgage loan origination volume was \$10.5 billion in 2010. Substantially all such loans were originated under agency or Federal Housing Administration (FHA) standards. We sold \$10.0 billion of loans and recognized related gains of \$231 million during 2010. The comparable amounts for 2009 were \$19.8 billion and \$435 million, respectively.

The increase in the Other category resulted from the transfer of certain commercial loans and leases to held for sale in the fourth quarter of 2010.

Interest income on loans held for sale was \$263 million in 2010 and \$270 million in 2009 and is included in Other interest income on our Consolidated Income Statement.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets totaled \$10.8 billion at December 31, 2010 compared with \$12.9 billion at December, 31, 2009. Goodwill declined \$1.4 billion, to \$8.1 billion, at December 31, 2010 compared with the December 31, 2009 balance primarily due to the sale of GIS which reduced goodwill by \$1.2 billion. The \$.8 billion decline in other intangible assets from December 31, 2009 included \$.3 billion declines in both commercial and residential mortgage servicing rights. Note 9 Goodwill and Other Intangible Assets included in the Notes To Consolidated Financial Statements in Item 8 of this Report provides further information on these items.

FUNDING AND CAPITAL SOURCES**Details Of Funding Sources**

	Dec. 31	Dec. 31
In millions	2010	2009
Deposits		
Money market	\$ 84,581	\$ 85,838
Demand	50,069	40,406
Retail certificates of deposit	37,337	48,622
Savings	7,340	6,401
Other time	549	1,088
Time deposits in foreign offices	3,514	4,567
Total deposits	183,390	186,922

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Borrowed funds		
Federal funds purchased and repurchase agreements	4,144	3,998
Federal Home Loan Bank borrowings	6,043	10,761
Bank notes and senior debt	12,904	12,362
Subordinated debt	9,842	9,907
Other	6,555	2,233
Total borrowed funds	39,488	39,261
Total	\$ 222,878	\$ 226,183

Total funding sources decreased \$3.3 billion at December 31, 2010 compared with December 31, 2009.

Total deposits decreased \$3.5 billion at December 31, 2010 compared with December 31, 2009. Deposits decreased in the comparison primarily due to declines in retail certificates of deposit, time deposits in foreign offices and money market deposits, partially offset by an increase in demand deposits.

Interest-bearing deposits represented 73% of total deposits at December 31, 2010 compared with 76% at December 31, 2009.

Total borrowed funds increased \$.2 billion since December 31, 2009. Other borrowed funds increased in the comparison primarily due to the consolidation of Market Street and a credit card securitization trust. Additionally, bank notes and senior debt increased since December 31, 2009 due to net issuances. These increases were partially offset in the comparison by a decline of Federal Home Loan Bank borrowings.

PNC issued \$3.25 billion of senior notes in 2010 as described further in the Liquidity Risk Management section of this Item 7, which also describes other actions we took in 2010 that impacted our borrowed funds balances.

Capital

We manage our capital position by making adjustments to our balance sheet size and composition, issuing debt, equity or hybrid instruments, executing treasury stock transactions, managing dividend policies and retaining earnings. PNC increased common equity during 2010 as outlined below.

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Total shareholders' equity increased \$.3 billion, to \$30.2 billion, at December 31, 2010 compared with December 31, 2009 and included the impact of the following:

The first quarter 2010 issuance of 63.9 million shares of common stock in an underwritten offering at \$54 per share resulted in a \$3.4 billion increase in total shareholders' equity,

An increase of \$2.7 billion to retained earnings, and

A \$1.5 billion decline in accumulated other comprehensive loss largely due to decreases in net unrealized securities losses as more fully described in the Investment Securities portion of this Consolidated Balance Sheet Review.

The factors above were mostly offset by a decline of \$7.3 billion in capital surplus-preferred stock in connection with our February 2010 redemption of the Series N (TARP) Preferred Stock as explained further in Note 18 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report.

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

Since our acquisition of National City on December 31, 2008, we have increased total common shareholders' equity by \$12.1 billion, or 69%. We expect to continue to increase our common equity as a proportion of total capital, primarily through growth in retained earnings. Further, we believe that we have ample capital capacity to support growth in our businesses and to consider increases in the amount of capital we return to our shareholders, subject to obtaining necessary regulatory approvals.

Our current common stock repurchase program permits us to purchase up to 25 million shares of PNC common stock on the open market or in privately negotiated transactions. This program will remain in effect until fully utilized or until modified, superseded or terminated. The extent and timing of share repurchases under this program will depend on a number of factors including, among others, market and general economic conditions, economic and regulatory capital considerations, alternative uses of capital, regulatory and contractual limitations, and the potential impact on our credit ratings. We did not purchase any shares in 2010 under this program and were restricted from doing so under the TARP Capital Purchase Program prior to our February 2010 redemption of the Series N Preferred Stock. See *Supervision And Regulation* in Item 1 of this Report for further information concerning restrictions on dividends and stock repurchases, including the impact of the Federal Reserve's current supervisory assessment of capital adequacy.

Risk-Based Capital

	Dec. 31	Dec. 31
Dollars in millions	2010	2009
Capital components		
Shareholders' equity		
Common	\$ 29,596	\$ 21,967
Preferred	646	7,975
Trust preferred capital securities	2,907	2,996
Noncontrolling interests	1,351	1,611
Goodwill and other intangible assets	(9,053)	(10,652)
Eligible deferred income taxes on goodwill and other intangible assets	461	738
Pension, other postretirement benefit plan adjustments	380	542
Net unrealized securities losses, after-tax	550	1,575
Net unrealized losses (gains) on cash flow hedge derivatives, after-tax	(522)	(166)
Other	(224)	(63)
Tier 1 risk-based capital	26,092	26,523
Subordinated debt	4,899	5,356
Eligible allowance for credit losses	2,733	2,934
Total risk-based capital	\$ 33,724	\$ 34,813
Tier 1 common capital		
Tier 1 risk-based capital	\$ 26,092	\$ 26,523
Preferred equity	(646)	(7,975)
Trust preferred capital securities	(2,907)	(2,996)

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Noncontrolling interests	(1,351)	(1,611)
Tier 1 common capital	\$ 21,188	\$ 13,941
Assets		
Risk-weighted assets, including off- balance sheet instruments and market risk equivalent assets	\$ 216,283	\$ 232,257
Adjusted average total assets	254,693	263,103
Capital ratios		
Tier 1 common	9.8%	6.0%
Tier 1 risk-based	12.1	11.4
Total risk-based	15.6	15.0
Leverage	10.2	10.1

Federal banking regulators have stated that they expect all bank holding companies to have a level and composition of Tier 1 capital well in excess of the 4% regulatory minimum, and they have required the largest US bank holding companies, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet credit needs of their customers through the economic downturn. They have also stated their view that common equity should be the dominant form of Tier 1 capital. As a result, regulators are now emphasizing the Tier 1 common capital ratio in their evaluation of bank holding company capital levels, although this metric is not provided for in the regulations. We seek to manage our capital consistent with these regulatory principles, and believe that our December 31, 2010 capital levels were aligned with them.

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Dodd-Frank requires the Federal Reserve Board to establish capital requirements that would, among other things, eliminate the Tier 1 treatment of trust preferred securities following a phase-in period expected to begin in 2013. Accordingly, PNC will evaluate its alternatives, including the potential for early redemption of some or all of its trust preferred securities, based on such considerations it may consider relevant, including dividend rates, the specifics of the future capital requirements, capital market conditions and other factors. PNC is also subject to replacement capital covenants with respect to certain of its trust preferred securities as discussed in Note 13 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Our Tier 1 common capital ratio was 9.8% at December 31, 2010, an increase of 380 basis points compared with 6.0% at December 31, 2009. Our Tier 1 risk-based capital ratio increased 70 basis points to 12.1% at December 31, 2010 from 11.4% at December 31, 2009. Increases in both ratios were attributable to retention of earnings in 2010, the first quarter 2010 equity offering, the third quarter 2010 sale of GIS, and lower risk-weighted assets. The increases in the Tier 1 risk-based capital ratio noted above were offset by the impact of the \$7.6 billion first quarter 2010 redemption of the Series N (TARP) Preferred Stock. See Note 18 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information regarding the Series N Preferred Stock redemption.

At December 31, 2010, PNC Bank, N.A., our domestic bank subsidiary, was considered well capitalized based on US regulatory capital ratio requirements. To qualify as well-capitalized, regulators currently require banks to maintain capital ratios of at least 6% for tier 1 risk-based, 10% for total risk-based, and 5% for leverage. See the Supervision And Regulation section of Item 1 of this Report and Note 21 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information. We believe PNC Bank, N.A. will continue to meet these requirements during 2011.

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

OFF-BALANCE SHEET

ARRANGEMENTS AND

VARIABLE INTEREST ENTITIES

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

Commitments, including contractual obligations and other commitments, included within the Risk Management section of this Financial Review,

Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements included in Item 8 of this Report,

Note 13 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements included in Item 8 of this Report, and

Note 23 Commitments and Guarantees in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

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

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

Consolidated VIEs Carrying Value (a)

In millions	Market Street	Credit Card Securitization Trust	Tax Credit	
			Investments (b)	Total
December 31, 2010				
<u>Assets</u>				
Cash and due from banks			\$ 2	\$ 2
Interest-earning deposits with banks		\$ 284	4	288
Investment securities	\$ 192			192
Loans	2,520	2,125		4,645
Allowance for loan and lease losses		(183)		(183)
Equity investments			1,177	1,177
Other assets	271	9	396	676
Total assets	\$ 2,983	\$ 2,235	\$ 1,579	\$ 6,797
<u>Liabilities</u>				
Other borrowed funds	\$ 2,715	\$ 523	\$ 116	\$ 3,354
Accrued expenses		9	79	88
Other liabilities	268		188	456
Total liabilities	\$ 2,983	\$ 532	\$ 383	\$ 3,898

(a) Amounts represent carrying value on PNC's Consolidated Balance Sheet.

(b) Amounts reported primarily represent LIHTC investments.

Consolidated VIEs

In millions	Aggregate	
	Assets	Liabilities
December 31, 2010		
Market Street	\$ 3,584	\$ 3,588
Credit Card Securitization Trust	2,269	1,004
Tax Credit Investments (a)	1,590	420
December 31, 2009		
Tax Credit Investments (a)	\$ 1,933	\$ 808
Credit Risk Transfer Transaction	860	860

(a) Amounts reported primarily represent LIHTC investments.

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

Non-Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk	Carrying	Carrying
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			of Loss	Value of Assets	Value of Liabilities
December 31, 2010					
Tax Credit Investments (a)	\$ 4,086	\$ 2,258	\$ 782	\$ 782(c)	\$ 301(d)
Commercial Mortgage-Backed					
Securitizations (b)	79,142	79,142	2,068	2,068(e)	
Residential Mortgage-Backed					
Securitizations (b)	42,986	42,986	2,203	2,199(e)	4(d)
Collateralized Debt Obligations	18		1	1(c)	
Total	\$ 126,232	\$ 124,386	\$ 5,054	\$ 5,050	\$ 305

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

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

(b) Amounts reported reflect involvement with securitization SPEs where PNC transferred to and/or services loans for a SPE and we hold securities issued by that SPE. We also invest in other mortgage and asset-backed securities issued by third-party VIEs with which we have no continuing involvement. Further information on these securities is included in Note 7 Investment Securities in the Notes to Consolidated Financial Statements in Item 8 of this Report and values disclosed represent our maximum exposure to loss for those securities holdings.

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- (c) Included in Equity investments on our Consolidated Balance Sheet.
- (d) Included in Other liabilities on our Consolidated Balance Sheet.
- (e) Included in Trading securities, Investment securities, Other intangible assets, and Other assets on our Consolidated Balance Sheet.
- (f) PNC's risk of loss consisted of off-balance sheet liquidity commitments to Market Street of \$5.6 billion and other credit enhancements of \$.6 billion at December 31, 2009.

Market Street

Market Street is a multi-seller asset-backed commercial paper conduit that is owned by an independent third party. Market Street's activities primarily involve purchasing assets or making loans secured by interests in pools of receivables from US corporations that desire access to the commercial paper market. Market Street funds the purchases of assets or loans by issuing commercial paper and is supported by pool-specific credit enhancements, liquidity facilities and program-level credit enhancement. Generally, Market Street mitigates its potential interest rate risk by entering into agreements with its borrowers that reflect interest rates based upon its weighted average commercial paper cost of funds. During 2009 and 2010, Market Street met all of its funding needs through the issuance of commercial paper.

Market Street commercial paper outstanding was \$2.7 billion at December 31, 2010 and \$3.1 billion at December 31, 2009. The weighted average maturity of the commercial paper was 36 days at December 31, 2010 and December 31, 2009.

During 2009, PNC Capital Markets LLC, acting as a placement agent for Market Street, held a maximum daily position in Market Street commercial paper of \$135 million with an average balance of \$19 million. PNC Capital Markets LLC owned no Market Street commercial paper at December 31, 2010 and December 31, 2009. PNC Bank, N.A. made no purchases of Market Street commercial paper during 2010.

Assets of Market Street (a)

In millions	Outstanding	Commitments	Weighted Average Remaining Maturity In Years
December 31, 2009			
Trade receivables	\$ 1,551	\$ 4,105	2.0
Automobile financing	480	480	4.2
Auto fleet leasing	412	543	.9
Collateralized loan obligations	126	150	.4
Residential mortgage	13	13	26.0
Other	534	567	1.7
Cash and miscellaneous receivables	582		
Total	\$ 3,698	\$ 5,858	2.1

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

Market Street Commitments by Credit Rating (a)

	December 31, 2010	December 31, 2009
AAA/Aaa	26%	14%
AA/Aa	60	50
A/A	13	34
BBB/Baa	1	2
Total	100%	100%

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

PNC Capital Trust E Trust Preferred Securities

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

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

Acquired Entity Trust Preferred Securities

As a result of the National City acquisition, we assumed obligations with respect to \$2.4 billion in principal amount of junior subordinated debentures issued by the acquired entity. As a result of the Mercantile, Yardville and Sterling acquisitions, we assumed obligations with respect to \$158 million in principal amount of junior subordinated debentures issued by the acquired entities. As described in Note 13

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Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of this Report, in September 2010 and October 2010 we redeemed \$71 million and \$10 million, respectively, in principal amounts related to the junior subordinated debentures issued by the acquired entities. Under the terms of the outstanding debentures, if there is an event of default under the debentures or PNC exercises its right to defer payments on the related trust preferred securities issued by the statutory trusts or there is a default under PNC's guarantee of such payment obligations, PNC would be subject during the period of such default or deferral to restrictions on dividends and other provisions protecting the status of the debenture holders similar to or in some ways more restrictive than those potentially imposed under the Exchange Agreements with Trust II and Trust III, as described in Note 13 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

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

FAIR VALUE MEASUREMENTS

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

Assets recorded at fair value represented 27% and 23% of total assets at December 31, 2010 and December 31, 2009, respectively. The increase in the percentage compared with the prior year end was primarily due to increases in securities available for sale and financial derivatives. Liabilities recorded at fair value represented 3% and 2% of total liabilities at December 31, 2010 and December 31, 2009, respectively.

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

In millions	Dec. 31, 2010		Dec. 31, 2009	
	Total Fair Value	Level 3	Total Fair Value	Level 3
Assets				
Securities available for sale	\$ 57,310	\$ 8,583	\$ 50,798	\$ 9,933
Financial derivatives	5,757	77	3,916	50
Residential mortgage loans held for sale	1,878		1,012	
Trading securities	1,826	69	2,124	89
Residential mortgage servicing rights	1,033	1,033	1,332	1,332
Commercial mortgage loans held for sale	877	877	1,050	1,050
Equity investments	1,384	1,384	1,188	1,188
Customer resale agreements	866		990	
Loans	116	2	107	
Other assets	853	403	716	509
Total assets	\$ 71,900	\$ 12,428	\$ 63,233	\$ 14,151
Level 3 assets as a percentage of total assets at fair value		17%		22%
Level 3 assets as a percentage of consolidated assets		5%		5%
Liabilities				
Financial derivatives	\$ 4,935	\$ 460	\$ 3,839	\$ 506
Trading securities sold short	2,530		1,344	
Other liabilities	6		6	
Total liabilities	\$ 7,471	\$ 460	\$ 5,189	\$ 506
Level 3 liabilities as a percentage of total liabilities at fair value		6%		10%
Level 3 liabilities as a percentage of consolidated liabilities		<1%		<1%

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

During 2010, no significant transfers of assets or liabilities between the hierarchy levels occurred.

Table of Contents***BUSINESS SEGMENTS REVIEW***

We have six reportable business segments:

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

Once we entered into an agreement to sell GIS, it was no longer a reportable business segment. We sold GIS on July 1, 2010.

Business segment results, including inter-segment revenues, and a description of each business are included in Note 25 Segment Reporting included in the Notes To Consolidated Financial Statements of Item 8 this Report. Certain amounts included in this Item 7 differ from those amounts shown in Note 25 primarily due to the presentation in this Item 7 of business net interest revenue on a taxable-equivalent basis.

Results of individual businesses are presented based on our management accounting practices and management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of our individual businesses are not necessarily comparable with similar information for any other company. We refine our methodologies from time to time as our management accounting practices are enhanced and our businesses and management structure change. Certain prior period amounts have been reclassified to reflect current methodologies and our current business and management structure. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. We have aggregated the business results for certain similar operating segments for financial reporting purposes.

Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product maturities, duration and other factors. Capital is intended to cover unexpected losses and is assigned to the banking and servicing businesses using our risk-based economic capital model. We have assigned capital equal to 6% of funds to Retail Banking to reflect the capital required for well-capitalized domestic banks and to approximate market comparables for this business.

We have allocated the ALLL and unfunded loan commitments and letters of credit based on our assessment of risk inherent in the business segment loan portfolios. Our allocation of the costs incurred by operations and other shared support areas

not directly aligned with the businesses is primarily based on the use of services.

Total business segment financial results differ from total consolidated results from continuing operations before noncontrolling interests, which itself excludes the earnings and revenue attributable to GIS through June 30, 2010 and the related after-tax gain on sale in third quarter 2010 that are reflected in discontinued operations. The impact of these differences is reflected in the Other category. Other for purposes of this Business Segments Review and the Business Segment Highlights in the Executive Summary includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as gains or losses related to BlackRock transactions including LTIP share distributions and obligations, integration costs, asset and liability management activities including net securities gains or losses and certain trading activities, exited businesses, equity management activities, alternative investments, intercompany eliminations, most corporate overhead, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests.

Period-end Employees

	Dec. 31	Dec. 31
	2010	2009
Full-time employees		
Retail Banking	20,925	21,416
Corporate & Institutional Banking	3,756	3,746
Asset Management Group	3,001	2,969

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Residential Mortgage Banking	3,539	3,267
Distressed Assets Portfolio	167	175
Other		
Operations & Technology	8,712	9,249
Staff Services and other (a)	4,717	8,939
Total Other	13,429	18,188
Total full-time employees	44,817	49,761
Retail Banking part-time employees	4,965	4,737
Other part-time employees	987	1,322
Total part-time employees	5,952	6,059
Total	50,769	55,820

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

Employee data as reported by each business segment in the table above reflects staff directly employed by the respective businesses and excludes operations, technology and staff services employees reported in the Other segment. Total employees have decreased since December 31, 2009 primarily as a result of the sale of GIS.

Table of Contents**Results Of Businesses Summary***(Unaudited)*

Year ended December 31- in millions	Income (Loss)		Revenue		Average Assets (a)	
	2010	2009	2010	2009	2010	2009
Retail Banking (b)	\$ 140	\$ 136	\$ 5,376	\$ 5,721	\$ 67,024	\$ 65,320
Corporate & Institutional Banking	1,770	1,190	4,908	5,266	77,467	84,689
Asset Management Group	141	105	890	919	7,022	7,320
Residential Mortgage Banking	275	435	1,003	1,328	9,247	8,420
BlackRock	351	207	462	262	5,428	6,249
Distressed Assets Portfolio	(64)	84	1,125	1,153	17,517	22,844
Total business segments	2,613	2,157	13,764	14,649	183,705	194,842
Other (b) (c) (d)	411	201	1,412	1,579	81,197	82,034
Income from continuing operations before noncontrolling interests (e)	\$ 3,024	\$ 2,358	\$ 15,176	\$ 16,228	\$ 264,902	\$ 276,876

(a) Period-end balances for BlackRock.

(b) Amounts for 2009 include the results of the 61 branches prior to their divestiture in early September 2009.

(c) For our segment reporting presentation in this Financial Review, Other earnings and revenue for 2010 include a \$102 million after-tax (\$160 million pretax) gain related to our gain on the sale of a portion of our investment in BlackRock stock as part of a BlackRock secondary common stock offering in November 2010 and Other earnings for 2010 also includes \$251 million of after-tax (\$387 million pretax) integration costs primarily related to National City. Other earnings and revenue for 2009 include a \$687 million after-tax (\$1.076 billion pretax) gain related to the BlackRock/BGI transaction and Other earnings for 2009 also includes \$274 million of after-tax (\$421 million pretax) integration costs primarily related to National City.

(d) Other average assets include investment securities associated with asset and liability management activities.

(e) Amounts are presented on a continuing operations basis and therefore exclude the earnings, revenue, and assets of GIS, including the third quarter 2010 gain on sale of GIS.

Table of Contents**RETAIL BANKING***(Unaudited)*

Year ended December 31

Dollars in millions	2010 (a)	2009 (b)
INCOME STATEMENT		
Net interest income	\$ 3,433	\$ 3,522
Noninterest income		
Service charges on deposits	681	930
Brokerage	212	245
Consumer services	912	886
Other	138	138
Total noninterest income	1,943	2,199
Total revenue	5,376	5,721
Provision for credit losses	1,103	1,330
Noninterest expense	4,054	4,169
Pretax earnings	219	222
Income taxes	79	86
Earnings	\$ 140	\$ 136
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	\$ 26,450	\$ 27,403
Indirect	3,973	4,036
Education	8,497	5,625
Credit cards	3,938	2,239
Other consumer	1,804	1,791
Total consumer	44,662	41,094
Commercial and commercial real estate	11,208	12,306
Floor plan	1,336	1,264
Residential mortgage	1,599	2,064
Total loans	58,805	56,728
Goodwill and other intangible assets	5,861	5,842
Other assets	2,358	2,750
Total assets	\$ 67,024	\$ 65,320
Deposits		
Noninterest-bearing demand	\$ 17,223	\$ 16,308
Interest-bearing demand	19,776	18,357
Money market	40,125	39,394
Total transaction deposits	77,124	74,059
Savings	6,938	6,610
Certificates of deposit	41,539	53,145
Total deposits	125,601	133,814
Other liabilities and borrowings	1,477	51
Capital	8,132	8,497
Total liabilities and equity	\$ 135,210	\$ 142,362
PERFORMANCE RATIOS		
Return on average capital	2%	2%
Return on average assets	.21	.21
Noninterest income to total revenue	36	38
Efficiency	75	73

OTHER INFORMATION (c)Credit-related statistics:

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Commercial nonperforming assets	\$ 297	\$ 324
Consumer nonperforming assets	422	284
Total nonperforming assets (d)	\$ 719	\$ 608
Impaired loans (e)	\$ 895	\$ 1,056
Commercial lending net charge-offs	\$ 330	\$ 415
Credit card lending net charge-offs	316	209
Consumer lending (excluding credit card) net charge-offs	424	402
Total net charge-offs	\$ 1,070	\$ 1,026

At December 31

Dollars in millions, except as noted	2010 (a)	2009(b)
OTHER INFORMATION (CONTINUED) (c)		
Commercial lending net charge-off ratio	2.63%	3.06%
Credit card net charge-off ratio	8.02%	9.33%
Consumer lending (excluding credit card) net charge-off ratio	1.00%	.98%
Total net charge-off ratio	1.82%	1.81%
<u>Other statistics:</u>		
ATMs	6,673	6,473
Branches (f)	2,470	2,513
<u>Home equity portfolio credit statistics:</u>		
% of first lien positions (g)	36%	35%
Weighted average loan-to-value ratios (g)	73%	74%
Weighted average FICO scores (h)	726	727
Net charge-off ratio	.90%	.75%
Loans 30 - 59 days past due	.49%	.49%
Loans 60 - 89 days past due	.30%	.29%
Loans 90 days past due	1.02%	.76%
<u>Customer-related statistics:</u>		
Retail Banking checking relationships (i)	5,465,000	5,390,000
Retail online banking active customers	3,057,000	2,743,000
Retail online bill payment active customers	977,000	780,000
<u>Brokerage statistics:</u>		
Financial consultants (j)	694	704
Full service brokerage offices	34	40
Brokerage account assets (billions)	\$ 33	\$ 32

(a) Information for 2010 reflects the impact of the consolidation in our financial statements for the securitized credit card portfolio of approximately \$1.6 billion of credit card loans as of January 1, 2010.

(b) PNC completed the required divestiture of 61 branches in early September 2009. Amounts for periods prior to the divestitures include the impact of those branches.

(c) Presented as of December 31 except for net charge-offs and net charge-off ratios, which are for the year ended.

(d) Includes nonperforming loans of \$694 million at December 31, 2010 and \$597 million at December 31, 2009.

(e) Recorded investment of purchased impaired loans related to acquisitions.

(f) Excludes certain satellite branches that provide limited products and/or services.

(g) Includes loans from acquired portfolios for which lien position and loan-to-value information is not available.

(h) Represents the most recent FICO scores we have on file.

(i) Retail checking relationships for prior periods have been adjusted to be consistent with the current period presentation. The prior amounts were refined subsequent to completion of application system conversion activities related to the National City acquisition.

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

Retail Banking earned \$140 million for 2010 compared with \$136 million in 2009. Earnings were primarily driven by a decrease in the provision for credit losses due to improved credit quality and lower noninterest expense from acquisition cost savings. These factors were partially offset by a decline in revenue related to the implementation of Regulation E rules related to overdraft fees and the impact of the low interest rate environment. Retail Banking continued to maintain its focus on growing customers and deposits, improving customer and

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employee satisfaction, investing in the business for future growth, and disciplined expense management during this period of market and economic uncertainty.

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

In January 2011, PNC reached a definitive agreement to acquire 19 branches and the associated deposits from BankAtlantic Bancorp, Inc. located in the Tampa, Florida area. The transaction is expected to close in June 2011, subject to regulatory approval and customary closing conditions. PNC will convert the branches and customer accounts to the PNC brand and systems at that time. This transaction is expected to provide Retail Banking with the opportunity to establish a foothold in the Tampa area and leverage those branches to help grow other business activities, such as wealth management and corporate banking.

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

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

Success in implementing Retail Banking's deposit strategy resulted in growth in average demand deposits of \$2.3 billion, or 7%, over the prior year. Excluding approximately \$0.7 billion of average demand deposits from 2009 balances related to the 61 required branch divestitures completed in early September 2009, average demand deposits increased \$3.0 billion, or 9%, over the prior year.

For the second consecutive year, the Retail Bank was named a Gallup Great Workplace Award Winner. PNC was the only U.S. Bank to be recognized. This recognition reflects our commitment to having an engaged workforce and a unified culture.

Implementing the business model in the acquired markets and building on strengths in the core franchise resulted in the growth of 75,000 checking relationships in 2010, a solid gain considering the first half of the year was dominated by the customer conversion process and 2010 was a difficult environment. The majority of this growth came in the second half of the year as strength in customer retention from the converted markets was coupled with sales momentum in channels and products such as Workplace and University Banking and Virtual Wallet. Our investment in online banking capabilities continued to pay off as active online bill payment customers grew by 25% in 2010.

PNC's expansive branch footprint covers nearly one-third of the U.S. population with a network of 2,470 branches and 6,673 ATM machines at December 31, 2010. We continued to invest in the branch network. In 2010, we opened 21 traditional and 27 in-store branches, and consolidated 91 branches. The decrease in branches was primarily driven by acquisition-related branch consolidations.

Total revenue for 2010 was \$5.4 billion compared with \$5.7 billion in 2009. Net interest income of \$3.4 billion declined \$89 million compared with 2009. Net interest income was negatively impacted by lower interest credits assigned to deposits, reflective of the rate environment, and benefited from the consolidation of the securitized credit card portfolio, higher transaction deposits, and increased education loans.

Noninterest income for 2010 was \$1.9 billion, a decline of \$256 million over the prior year. The decrease was due to a decrease in service charges on deposits related to lower overdraft fees, the negative impact of the consolidation of the securitized credit card portfolio, lower brokerage fees, and the impact of the required branch divestitures partially offset by, higher transaction volume-related fees within consumer services.

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

The negative impact of Regulation E on revenue for 2010 was approximately \$145 million. Additionally, the Credit CARD Act had a negative impact on revenue of approximately \$75 million, largely in net interest income. These estimates do not include additional impacts to revenue for other changes that were made in 2010 responding to market conditions, or other/additional regulatory requirements, or any offsetting impact of changes to products and/or pricing.

The education lending business was adversely impacted by provisions of HCERA that went into effect on July 1, 2010. The law essentially eliminates the Federal Family Education Loan Program (FFELP), the federally guaranteed portion of this business available to private lenders. We originated \$2.6 billion of federally guaranteed loans under FFELP in 2009 and \$1.0 billion in 2010, the majority of which were originated in the first half of the year. We plan to continue to provide private education loans as another source of funding for students and families.

Additionally, in 2011 Retail Banking revenue is expected to continue to be negatively impacted by the rules set forth in

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Regulation E related to overdraft fees and to be negatively impacted by the potential limits related to interchange rates on debit card transactions proposed in Dodd-Frank. The incremental negative impact of these two aspects of regulatory reform on fees may be approximately \$400 million in 2011 if limits to interchange rates are implemented consistent with rules currently proposed by the Federal Reserve Board. Changes in the proposed interchange rules could impact this estimate. Further, this estimate does not include any additional impact to revenue of other or additional regulatory requirements. There could be other aspects of regulatory reform that further impact these or other areas of our business as regulatory agencies, including the new CFPB, issue proposed and final regulations pursuant to Dodd-Frank and other legislation. See additional information regarding legislative and regulatory developments in the Executive Summary section of this Item 7.

The provision for credit losses was \$1.1 billion in 2010 compared with \$1.3 billion in 2009. Net charge-offs were \$1.1 billion in 2010 and essentially flat when compared with the same period last year. These comparisons both benefited from overall improved credit quality which was partially offset by the previously mentioned consolidation of \$1.6 billion in credit card loans as of January 1, 2010. Credit quality has shown signs of stabilization during 2010 with a declining net charge-off trend in each of the last four quarters. The improvement in net charge-off trends was predominately driven by the small business commercial lending and credit card portfolios. The increase in non-performing assets over the prior year was primarily due to an increase in modified loans reflecting continued efforts to work with borrowers experiencing financial difficulties.

Noninterest expense for the year declined \$115 million from the same period last year. Expenses were well-managed as continued investments in distribution channels were more than offset by acquisition cost savings and the required branch divestitures.

Growing core checking deposits as a lower-cost funding source and as the cornerstone product to build customer relationships is the primary objective of our deposit strategy. Furthermore, core checking accounts are critical to our strategy of expanding our payments business. The deposit strategy of Retail Banking is to remain disciplined on pricing, target specific products and markets for growth, and focus on the retention and growth of balances for relationship customers.

In 2010, average total deposits decreased \$8.2 billion, or 6%, compared with 2009.

Average demand deposits increased \$2.3 billion, or 7%, over 2009. The increase was primarily driven by customer growth and customer preferences for liquidity.

Average money market deposits increased \$731 million, or 2%, from 2009. The increase was primarily due to core money market growth as customers generally prefer more liquid deposits in a low rate environment.

In 2010, average certificates of deposit decreased \$11.6 billion from last year. This decline is expected to continue in 2011, although at a slower pace, due to the continued run off of higher rate certificates of deposit that were primarily obtained through the National City acquisition.

Currently, we plan to maintain our focus on a relationship-based lending strategy that targets specific customer sectors (mass consumers, homeowners, students, small businesses and auto dealerships) and our moderate risk lending approach. In 2010, average total loans were \$58.8 billion, an increase of \$2.1 billion, or 4%, over last year.

Average education loans grew \$2.9 billion compared with 2009 primarily due to increases in federal loan volumes as a result of non-bank competitors exiting from the business, portfolio purchases, and the impact of our current strategy of holding education loans on the balance sheet. As previously noted, the federally guaranteed portion of this business was essentially eliminated going forward beginning July 1, 2010 due to HCERA.

Average credit card balances increased \$1.7 billion over 2009. The increase was primarily the result of the consolidation of the securitized credit card portfolio effective January 1, 2010.

Average home equity loans declined \$953 million over 2009. Consumer loan demand remained soft in the current economic climate. The decline is driven by loan demand being outpaced by paydowns, refinancings, and charge-offs. Retail Banking's home equity loan portfolio is relationship based, with 96% of the portfolio attributable to borrowers in our primary geographic footprint. The nonperforming assets and charge-offs that we have experienced are within our expectations given current market conditions.

Average commercial and commercial real estate loans declined \$1.1 billion compared with 2009. The decline was primarily due to loan demand being outpaced by refinancings, paydowns, charge-offs and the required branch divestitures (approximately \$0.2 billion of the decline on average).

Table of Contents**CORPORATE & INSTITUTIONAL BANKING***(Unaudited)*

Year ended December 31

Dollars in millions except as noted	2010 (a)	2009
INCOME STATEMENT		
Net interest income	\$ 3,545	\$ 3,833
Noninterest income		
Corporate service fees	961	915
Other	402	518
Noninterest income	1,363	1,433
Total revenue	4,908	5,266
Provision for credit losses	303	1,603
Noninterest expense	1,817	1,800
Pretax earnings	2,788	1,863
Income taxes	1,018	673
Earnings	\$ 1,770	\$ 1,190
AVERAGE BALANCE SHEET		
Loans		
Commercial	\$ 32,717	\$ 37,426
Commercial real estate	16,466	19,195
Commercial real estate related	3,076	3,772
Asset-based lending	6,318	6,344
Equipment lease financing	5,484	5,390
Total loans	64,061	72,127
Goodwill and other intangible assets	3,613	3,583
Loans held for sale	1,473	1,679
Other assets	8,320	7,300
Total assets	\$ 77,467	\$ 84,689
Deposits		
Noninterest-bearing demand	\$ 24,713	\$ 19,948
Money market	12,153	9,697
Other	6,980	7,911
Total deposits	43,846	37,556
Other liabilities	11,949	9,118
Capital	7,598	7,837
Total liabilities and equity	\$ 63,393	\$ 54,511

Corporate & Institutional Banking earned a record \$1.8 billion in 2010 compared with \$1.2 billion 2009. The increase in earnings primarily resulted from a decrease in the provision for credit losses somewhat offset by lower net interest income driven mainly by lower loan balances. We continued to focus on adding new clients and increased our cross selling to serve our clients needs, particularly in the western markets, and remained committed to strong expense discipline.

Year ended December 31

Dollars in millions except as noted	2010 (a)	2009
PERFORMANCE RATIOS		
Return on average capital	23%	15%
Return on average assets	2.28	1.41
Noninterest income to total revenue	28	27
Efficiency	37	34
COMMERCIAL MORTGAGE SERVICING PORTFOLIO		

(in billions)

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Beginning of period	\$ 287	\$ 270
Acquisitions/additions	35	50
Repayments/transfers	(56)	(33)
End of period	\$ 266	\$ 287
OTHER INFORMATION		
Consolidated revenue from: (b)		
Treasury Management	\$ 1,225	\$ 1,137
Capital Markets	\$ 618	\$ 533
Commercial mortgage loans held for sale (c)	\$ 58	\$ 205
Commercial mortgage loan servicing (d)	204	280
Total commercial mortgage banking activities	\$ 262	\$ 485
Total loans (e)	\$ 63,609	\$ 66,206
Net carrying amount of commercial mortgage servicing rights (e)	\$ 665	\$ 921
<u>Credit-related statistics:</u>		
Nonperforming assets (e) (f)	\$ 2,594	\$ 3,167
Impaired loans (e) (g)	\$ 714	\$ 1,075
Net charge-offs	\$ 1,074	\$ 1,052

(a) Information as of year ended December 31, 2010 reflects the impact of the consolidation in our financial statements of Market Street effective January 1, 2010. Includes \$1.5 billion of loans, net of eliminations, and \$2.6 billion of commercial paper borrowings included in Other liabilities.

(b) Represents consolidated PNC amounts.

(c) Includes valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, origination fees, gains on sale of loans held for sale and net interest income on loans held for sale.

(d) Includes net interest income and noninterest income from loan servicing and ancillary services and commercial mortgage servicing rights valuations.

(e) At December 31.

(f) Includes nonperforming loans of \$2.4 billion at December 31, 2010 and \$3.0 billion at December 31, 2009.

(g) Recorded investment of purchased impaired loans related to acquisitions.

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Highlights of Corporate & Institutional Banking performance during 2010 include:

Achieved record client growth as new customers were added at approximately twice the pace of any previous year. We added more than 1,100 new clients.

Successfully completed the conversion of over 12,000 customers which resulted in a significant increase in cross sales opportunities, particularly in the western markets.

Treasury Management delivered record revenue for the year and grew favorably when compared to the industry average.

Some of the largest Capital Markets transactions in the history of PNC were recorded in 2010 which contributed to a record year in revenue earned for this business.

Midland Loan Services, one of the leading third-party providers of servicing for the commercial real estate industry, received the highest US servicer and special servicer ratings from Fitch Ratings and Standard & Poor's and is in its 11th consecutive year of achieving these ratings.

Midland was the number one servicer of FNMA and FHLMC loans and was the second leading servicer of commercial and multifamily loans by volume as of December 31, 2010 according to Mortgage Bankers Association.

Greenwich Associates awarded PNC the 2010 Excellence Awards in Middle Market Banking for Financial Stability and in Treasury Management for Customer Service.

Net interest income for 2010 was \$3.5 billion, a decrease of \$288 million from 2009, due to a decrease in average loans and lower interest credits assigned to deposits.

Corporate service fees were \$961 million for 2010, an increase of \$46 million over 2009 primarily due to higher merger and acquisition advisory and ancillary commercial mortgage servicing fees. This increase was partially offset by a reduction in the value of commercial mortgage servicing rights driven by lower interest rates. The major components of corporate service fees are treasury management, corporate finance fees and commercial mortgage servicing revenue.

Our Treasury Management business, which is ranked in the top ten nationally, continued to invest in markets, products and infrastructure as well as major initiatives such as healthcare. The healthcare initiative is designed to help provide our customers opportunities to reduce operating costs. Healthcare-related revenues in 2010 increased over 25% from 2009.

Harris Williams is one of the nation's largest and most successful mergers and acquisitions advisory teams focused exclusively on the middle markets. Revenues increased over \$80 million in 2010 compared with 2009 on higher deal activity driven by the improved financing environment. Harris Williams established its first overseas operation in London during 2010.

Other noninterest income was \$402 million for 2010, a decrease of \$116 million from 2009 primarily due to a decline in the income associated with commercial mortgage loans held for sale, net of hedges, and the sale of the duplicative agency servicing operation in the second quarter of 2010.

The provision for credit losses was \$303 million in 2010 compared with \$1.6 billion in 2009. The decline reflected improvements in portfolio credit quality along with lower loan and commitment levels. Net charge-offs for 2010 of \$1.1 billion increased 2% compared with 2009. Nonperforming assets were \$2.6 billion in 2010, down from \$3.2 billion in 2009.

Noninterest expense was \$1.8 billion for both 2010 and 2009. Increases in compensation costs related to revenue and credit-related expenses were essentially offset by the impact of the sale of the duplicative agency servicing operation in the second quarter of 2010.

Average loans were \$64 billion for 2010 compared with \$72 billion in 2009. Excluding the impact of the 2010 Market Street consolidation, which contributed \$2 billion to average loans in 2010, average loans decreased \$10 billion or 13% compared with 2009. The decrease was due to exits of certain client relationships combined with continued soft new loan originations and utilization rates.

PNC Real Estate provides commercial real estate and real-estate related lending and is one of the industry's largest providers of both conventional and affordable multifamily financing. Commercial real estate loans declined in 2010 due to reduced demand, paydowns and charge-offs.

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Business Credit is one of the largest asset-based lenders in the country. It expanded its operations with the acquisition of an asset-based lending group in the United Kingdom which was completed in November 2010. Total loans acquired were approximately \$300 million.

PNC Equipment Finance is the 6th largest bank-affiliated leasing company with over \$9 billion in equipment finance assets. Average loans and leases declined approximately \$.2 billion for 2010 compared with 2009 due to runoff and sales of non-strategic portfolios more than offsetting portfolio acquisitions and improved origination volumes within our middle market customer base.

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Average deposits were \$43.8 billion for 2010, an increase of \$6.3 billion, or 17%, compared with 2009. During 2010, customers continued to move balances to noninterest-bearing demand deposits to maintain liquidity.

The commercial mortgage servicing portfolio was \$266 billion at December 31, 2010 compared with \$287 billion at December 31, 2009. The decrease was driven by the sale during the second quarter of 2010 of a duplicative agency servicing operation acquired with National City.

See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities on page 32.

ASSET MANAGEMENT GROUP

(Unaudited)

Year ended December 31

Dollars in millions except as noted	2010	2009
INCOME STATEMENT		
Net interest income	\$ 263	\$ 308
Noninterest income	627	611
Total revenue	890	919
Provision for credit losses	20	97
Noninterest expense	647	654
Pretax earnings	223	168
Income taxes	82	63
Earnings	\$ 141	\$ 105
AVERAGE BALANCE SHEET		
Loans		
Consumer	\$ 4,026	\$ 3,957
Commercial and commercial real estate	1,501	1,639
Residential mortgage	850	1,078
Total loans	6,377	6,674
Goodwill and other intangible assets	399	407
Other assets	246	239
Total assets	\$ 7,022	\$ 7,320
Deposits		
Noninterest-bearing demand	\$ 1,324	\$ 1,091
Interest-bearing demand	1,835	1,582
Money market	3,283	3,208
Total transaction deposits	6,442	5,881
Certificates of deposit and other	748	1,076
Total deposits	7,190	6,957
Other liabilities	89	104
Capital	534	569
Total liabilities and equity	\$ 7,813	\$ 7,630
PERFORMANCE RATIOS		
Return on average capital	26%	18%
Return on average assets	2.01	1.43
Noninterest income to total revenue	70	66
Efficiency	73	71
OTHER INFORMATION		
Total nonperforming assets (a) (b)	\$ 90	\$ 155
Impaired loans (a) (c)	\$ 146	\$ 198
Total net charge-offs	\$ 42	\$ 63
Year ended December 31	2010	2009

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Dollars in millions except as noted

ASSETS UNDER ADMINISTRATION

(in billions) (a) (d)

Personal	\$ 99	\$ 94
Institutional	113	111
Total	\$ 212	\$ 205
<i>Asset Type</i>		
Equity	\$ 115	\$ 100
Fixed Income	63	58
Liquidity/Other	34	47
Total	\$ 212	\$ 205
<u>Discretionary assets under management</u>		
Personal	\$ 69	\$ 67
Institutional	39	36
Total	\$ 108	\$ 103
<i>Asset Type</i>		
Equity	\$ 55	\$ 49
Fixed Income	36	34
Liquidity/Other	17	20
Total	\$ 108	\$ 103
<u>Nondiscretionary assets under administration</u>		
Personal	\$ 30	\$ 27
Institutional	74	75
Total	\$ 104	\$ 102
<i>Asset Type</i>		
Equity	\$ 60	\$ 51
Fixed Income	27	24
Liquidity/Other	17	27
Total	\$ 104	\$ 102

(a) As of December 31.

(b) Includes nonperforming loans of \$82 million at December 31, 2010 and \$149 million at December 31, 2009.

(c) Recorded investment of purchased impaired loans related to acquisitions.

(d) Excludes brokerage account assets.

Asset Management Group earned \$141 million for 2010 compared with \$105 million for 2009. The increase reflected a lower provision for credit losses due to improved credit quality and increased noninterest income from higher equity markets and new client growth. These increases were partially offset by lower net interest income from lower loan yields. The business delivered strong performance in 2010 as it remained focused on new client acquisition, client asset growth and expense discipline.

Highlights of Asset Management Group's performance during 2010 include the following:

- Successfully executed its National City trust system and banking conversions while maintaining high client satisfaction and retention,
- Achieved exceptional new sales and client acquisition levels for the Group,
- Improved credit quality and performance, and
- Exceeded expense management targets while investing in strategic growth initiatives.

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Assets under administration of \$212 billion at December 31, 2010 increased \$7 billion compared with the balance at December 31, 2009. Discretionary assets under management of \$108 billion at December 31, 2010 increased \$5 billion or 5 percent compared with the balance at December 31, 2009 due to higher equity markets and strong sales performance. Nondiscretionary assets under administration of \$104 billion increased \$2 billion or 2 percent from 2009.

Total revenue for 2010 was \$890 million compared with \$919 million for 2009. Net interest income for 2010 decreased \$45 million compared with 2009, primarily due to a reduction in higher yield loans. Noninterest income of \$627 million for 2010 increased \$16 million compared with 2009 as the impacts of strong sales results and the improved equity markets were partially offset by the strategic exit of noncore businesses.

The provision for credit losses was \$20 million for 2010 compared with \$97 million for 2009. Net charge-offs were \$42 million for 2010 and \$63 million for the 2009. Credit quality showed signs of stabilization in 2010.

Noninterest expense of \$647 million in 2010 decreased slightly from 2009. The decline is attributable to disciplined expense management and integration-related initiatives partially offset by strategic investments in the business.

Total average deposits for 2010 increased \$233 million, or 3%, from 2009 as a 10% increase in transaction deposits more than offset the strategic exit of higher rate certificates of deposit. Total average loans decreased \$297 million, or 4%, from 2009 as growth in consumer loans was more than offset by a decline in other loan categories.

Table of Contents**RESIDENTIAL MORTGAGE BANKING***(Unaudited)*

Year ended December 31

Dollars in millions, except as noted	2010	2009
INCOME STATEMENT		
Net interest income	\$ 267	\$ 332
Noninterest income		
Loan servicing revenue		
Servicing fees	242	222
Net MSR hedging gains	245	355
Loan sales revenue	231	435
Other	18	(16)
Total noninterest income	736	996
Total revenue	1,003	1,328
Provision for (recoveries of) credit losses	5	(4)
Noninterest expense	565	632
Pretax earnings	433	700
Income taxes	158	