PNC FINANCIAL SERVICES GROUP, INC.
Form 10-Q
November 05, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

or

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

For the transition period from to

Commission file number 001-09718

The PNC Financial Services Group, Inc.

(Exact name of registrant as specified in its charter)

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

One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707

(Address of principal executive offices, including zip code)

(412) 762-2000

(Registrant s telephone number, including area code)

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

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

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

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

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

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

As of October 24, 2014, there were 526,209,756 shares of the registrant s common stock ($5 par value) outstanding.

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FINANCIAL REVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Report and with Items 6, 7, 8 and 9A of our 2013 Annual Report on Form 10-K (2013 Form 10-K). We have reclassified certain prior period amounts to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. Prior period amounts have also been updated to reflect the first quarter 2014 adoption of Accounting Standards Update (ASU) 2014-01 related to investments in low income housing tax credits. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report for more detail. For information regarding certain business, regulatory and legal risks, see the following sections as they appear in this Report and in our 2013 Form 10-K and our First and Second Quarter 2014 Form 10-Qs: the Risk Management and Recourse And Repurchase Obligations sections of the Financial Review portion of the respective report; Item 1A Risk Factors included in our 2013 Form 10-K; and the Legal Proceedings and Commitments and Guarantees Notes of the Notes To Consolidated Financial Statements included in the respective report. Also, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and the Critical Accounting Estimates And Judgments section in this Financial Review and in our 2013 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 18 Segment Reporting in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a GAAP basis.

Table 1: Consolidated Financial Highlights

THE PNC FINANCIAL SERVICES GROUP, INC. (PNC)

Dollars in millions, except per share data	Three months ended September 30		Nine months ended September 30	
Unaudited	2014	2013	2014	2013
Financial Results (a)				
Revenue				
Net interest income	$ 2,104	$ 2,234	$ 6,428	$ 6,881
Noninterest income	1,737	1,686	5,000	5,058
Total revenue	3,841	3,920	11,428	11,939
Noninterest expense (b)	2,357	2,394	6,949	7,167
Pretax, pre-provision earnings (c)	1,484	1,526	4,479	4,772
Provision for credit losses	55	137	221	530
Income before income taxes and noncontrolling interests	$ 1,429	$ 1,389	$ 4,258	$ 4,242
Net income (b)	$ 1,038	$ 1,028	$ 3,150	$ 3,138
Less:				
Net income (loss) attributable to noncontrolling interests (b)	1	2	2	(2)
Preferred stock dividends and discount accretion and redemptions	71	71	189	199
Net income attributable to common shareholders	$ 966	$ 955	$ 2,959	$ 2,941
Less:				
Dividends and undistributed earnings allocated to nonvested restricted shares	3	4	9	13
Impact of BlackRock earnings per share dilution	4	4	13	13
Net income attributable to diluted common shares	$ 959	$ 947	$ 2,937	$ 2,915
Diluted earnings per common share	$ 1.79	$ 1.77	$ 5.45	$ 5.49
Cash dividends declared per common share	$ .48	$ .44	$ 1.40	$ 1.28
Performance Ratios				
Net interest margin (d)	2.98%	3.47%	3.12%	3.62%
Noninterest income to total revenue	45	43	44	42
Efficiency (b)	61	61	61	60
Return on:				
Average common shareholders equity (b)	9.52	10.40	9.99	10.90
Average assets (b)	1.25	1.34	1.30	1.39

See page 59 for a glossary of certain terms used in this Report.

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

(a) The Executive Summary and Consolidated Income Statement Review portions of the Financial Review section of this Report provide information regarding items impacting the comparability of the periods presented.
(b) Amounts for 2013 periods have been updated to reflect the first quarter 2014 adoption of Accounting Standards Update (ASU) 2014-01 related to investments in low income housing tax credits.
(c) We believe that pretax, pre-provision earnings, a non-GAAP measure, is useful as a tool to help evaluate the ability to provide for credit costs through operations.
(d) Calculated as annualized taxable-equivalent net interest income divided by average earning assets. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of 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 generally accepted accounting principles (GAAP) in the Consolidated Income Statement. The taxable-equivalent adjustments to net interest income for the three months ended September 30, 2014 and September 30, 2013 were $47 million and $43 million, respectively. The taxable-equivalent adjustments to net interest income for the nine months ended September 30, 2014 and September 30, 2013 were $140 million and $123 million, respectively.

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Table 1: Consolidated Financial Highlights (Continued) (a)

Unaudited	September 30 2014	December 31 2013	September 30 2013
Balance Sheet Data (dollars in millions, except per share data)			
Assets (b)	$ 334,424	$ 320,192	$ 308,472
Loans	200,872	195,613	192,856
Allowance for loan and lease losses	3,406	3,609	3,691
Interest-earning deposits with banks (c)	26,247	12,135	8,047
Investment securities	55,039	60,294	57,260
Loans held for sale	2,143	2,255	2,399
Goodwill and other intangible assets	11,068	11,290	11,268
Equity investments (b) (d)	10,763	10,560	10,178
Other assets	23,123	22,552	22,733
Noninterest-bearing deposits	72,963	70,306	68,747
Interest-bearing deposits	153,341	150,625	147,327
Total deposits	226,304	220,931	216,074
Transaction deposits	192,222	186,391	181,794
Borrowed funds	52,327	46,105	40,273
Total shareholders equity (b)	44,481	42,334	41,043
Common shareholders equity (b)	40,536	38,392	37,103
Accumulated other comprehensive income	727	436	47
Book value per common share (b)	$ 76.71	$ 72.07	$ 69.75
Common shares outstanding (millions)	528	533	532
Loans to deposits	89%	89%	89%
Client Investment Assets (billions)			
Discretionary client assets under management	$ 132	$ 127	$ 122
Nondiscretionary client assets under administration	127	120	115
Total client assets under administration	259	247	237
Brokerage account client assets	43	41	40
Total	$ 302	$ 288	$ 277
Capital Ratios			
Transitional Basel III (e) (f)			
Common equity Tier 1 (g)	11.1%	N/A(h)	N/A
Tier 1 risk-based	12.8	N/A	N/A
Total capital risk-based	16.1	N/A	N/A
Leverage	11.1	N/A	N/A
Pro forma Fully Phased-In Basel III (f) (i)			
Common equity Tier 1 (g)	10.1%	9.4%	8.7%
Common shareholders equity to assets (b)	12.1%	12.0%	12.0%
Asset Quality			
Nonperforming loans to total loans	1.30%	1.58%	1.66%
Nonperforming assets to total loans, OREO and foreclosed assets	1.48	1.76	1.87
Nonperforming assets to total assets	.89	1.08	1.17
Net charge-offs to average loans (for the three months ended) (annualized)	.16	.39	.47
Allowance for loan and lease losses to total loans	1.70	1.84	1.91
Allowance for loan and lease losses to nonperforming loans (j)	130%	117%	115%
Accruing loans past due 90 days or more (in millions)	$ 1,178	$ 1,491	$ 1,633

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

(b) Amounts for 2013 periods have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.

(c) Amounts include balances held with the Federal Reserve Bank of Cleveland of $25.9 billion, $11.7 billion and $7.6 billion as of September 30, 2014, December 31, 2013 and September 30, 2013, respectively.

(d) Amounts include our equity interest in BlackRock.
(e) Calculated using the regulatory capital methodology applicable to PNC during 2014.
(f) See Basel III Capital discussion in the Capital portion of the Consolidated Balance Sheet Review section of this Financial Review and the capital discussion in the Banking Regulation and Supervision section of Item 1 Business in our 2013 Form 10-K. See also the Estimated Pro forma Fully Phased-In Basel III Common Equity Tier 1 Capital Ratio 2013 Periods table in the Statistical Information section of this Report for a reconciliation of the 2013 periods ratios.
(g) The Basel III common equity Tier 1 capital ratio was previously referred to as the Basel III Tier 1 common capital ratio.
(h) Our 2013 Form 10-K included a pro forma illustration of the Transitional Basel III common equity Tier 1 capital ratio using December 31, 2013 data and the Basel III phase-in schedule in effect for 2014 and information regarding our Basel I capital ratios, which applied to PNC in 2013. See also the 2013 Basel I Tier 1 Common Capital Ratio Table in the Statistical Information section of this Report for information regarding December 31, 2013 and September 30, 2013 ratios.
(i) Ratios as of December 31, 2013 and September 30, 2013 have not been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.
(j) The allowance for loan and lease losses includes impairment reserves attributable to purchased impaired loans. Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.

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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, as well as other products and services in PNC s primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Illinois, Maryland, Indiana, North Carolina, Florida, Kentucky, Washington, D.C., Delaware, Alabama, Virginia, Missouri, Georgia, Wisconsin and South Carolina. PNC also provides certain products and services internationally.

Key Strategic Goals

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

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

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

Our capital priorities are to support client growth and business investment, maintain appropriate capital in light of economic uncertainty and the Basel III framework and return excess capital to shareholders, in accordance with the capital plan included in our 2014 Comprehensive Capital Analysis and

Review (CCAR) submission to the Board of Governors of the Federal Reserve System (Federal Reserve). We continue to improve our capital levels and ratios through retention of earnings and expect to build capital through retention of future earnings net of dividend payments and share repurchases. PNC continues to maintain adequate liquidity positions at both PNC and PNC Bank, National Association (PNC Bank, N.A.). For more detail, see the Capital and Liquidity Actions portion of this Executive Summary, the Funding and Capital Sources portion of the Consolidated Balance Sheet Review section and the Liquidity Risk Management portion of the Risk Management section of this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2013 Form 10-K.

PNC faces a variety of risks that may impact various aspects of our risk profile from time to time. The extent of such impacts may vary depending on factors such as the current economic, political and regulatory environment, merger and acquisition activity and operational challenges. Many of these risks and our risk management strategies are described in more detail in our 2013 Form 10-K and elsewhere in this Report.

Recent Market and Industry Developments

There have been numerous legislative and regulatory developments and significant changes in the competitive landscape of our industry over the last several years. The United States and other governments have undertaken major reform of the regulation of the financial services industry, including engaging in new efforts to impose requirements designed to strengthen the stability of the financial system and protect consumers and investors. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in July 2010, mandates the most wide-ranging overhaul of financial industry regulation in decades. Many parts of the law are now in effect, and others are now in the implementation stage, which is likely to continue for several years. We expect to face further increased regulation of our industry as a result of Dodd-Frank as well as other current and future initiatives intended to enhance the regulation of financial services companies, the stability of the financial system, the protection of consumers and investors, and the liquidity and solvency of financial institutions and markets. We also expect in many cases more intense scrutiny from our supervisors in the examination process and more aggressive enforcement of laws and regulations on both the federal and state levels. Compliance with new regulations will increase our costs and reduce our revenue. Some new regulations may limit our ability to pursue certain desirable business opportunities.

On September 2, 2014, the Office of the Comptroller of the Currency (OCC) finalized enforceable guidelines that establish minimum standards for the design and implementation of a risk governance framework at large insured national banks, including PNC Bank, N.A. The

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guidelines describe the appropriate risk management roles and responsibilities of front line units, independent risk management, internal audit, and the board of directors, and provide that a bank should have a comprehensive written statement that articulates its risk appetite and serves as a basis for the framework (*i.e.*, a risk appetite statement). In accordance with the guidelines phased-in compliance dates, PNC Bank, N.A. is required to be in compliance with the guidelines by May 10, 2015.

New and evolving capital and liquidity standards will have a significant effect on banks and bank holding companies, including PNC and PNC Bank, N.A. On September 3, 2014, the U.S. banking agencies released final rules to implement the Liquidity Coverage Ratio (LCR), which is a quantitative liquidity standard included in the international Basel III framework. The LCR rules are designed to ensure that covered banking organizations maintain an adequate level of cash and high quality, unencumbered liquid assets (HQLA) to meet estimated net liquidity needs in a short-term stress scenario using liquidity inflow and outflow assumptions provided in the rules (net cash outflow). An institution s LCR is the amount of its HQLA, as defined and calculated in accordance with the haircuts and limitations in the rule, divided by its net cash outflow, with the quotient expressed as a percentage.

Top-tier bank holding companies (like PNC) that are subject to the advanced approaches for regulatory capital purposes, as well as any subsidiary depository institution of such a company that has $10 billion or more in total consolidated assets (such as PNC Bank, N.A.), are subject to the full LCR (rather than the less stringent modified LCR) under the final rules effective on January 1, 2015. However, the minimum required LCR and the requirement to calculate the LCR on a daily basis will be phased-in over a period of years. For example, the minimum LCR PNC and PNC Bank, N.A. will be required to maintain in 2015 is 80%, increases to 90% in 2016 and, when fully phased-in in 2017, will be 100%. PNC and PNC Bank, N.A. will be required to calculate the LCR on a monthly basis until June 30, 2016. Beginning on July 1, 2016, and thereafter, PNC and PNC Bank, N.A. will be required to calculate the LCR on a daily basis. PNC and PNC Bank, N.A. expect to exceed the initial LCR phase-in requirement when it becomes effective on January 1, 2015.

On October 17, 2014, the Federal Reserve issued final rules adopting amendments to its capital plan and stress testing rules. Under these amendments, the schedule for the annual CCAR and Dodd-Frank stress test (DFAST) process will be modified effective January 1, 2016. Beginning in 2016, bank holding companies with total consolidated assets of $50 billion or more, such as PNC, are required to submit their annual capital plans and company-run stress test results to the Federal Reserve by April 5th of each year (rather than by January 5th as currently required). In order to transition to this new schedule, the Federal Reserve has indicated that its non-

objection to a capital plan submitted in January 2015 would cover proposed capital actions for the five quarter period from the second quarter of 2015 through and including the second quarter of 2016. Under the new schedule, the Federal Reserve will release its decisions on the capital plans submitted and release the results of its supervisory stress test by June 30th, approximately three months later than current practice. The amendments also shift the schedule for the company-run mid-cycle DFAST stress tests, with PNC s submission date for these tests shifting to October 5th (from July 5th) and the release date for company results moving to October (from September).

On July 31, 2013, the U.S. District Court for the District of Columbia granted summary judgment to the plaintiffs in *NACS, et al. v. Board of Governors of the Federal Reserve System*. The decision vacated the debit card interchange and network processing rules that went into effect in October 2011 and that were adopted by the Federal Reserve to implement provisions of Dodd-Frank. The district court found among other things that the debit card interchange fees permitted under the rules allowed card issuers to recover costs that were not permitted by the statute. In March 2014, the U.S. Court of Appeals for the District of Columbia Circuit reversed the district court. It upheld the Federal Reserve s network processing rule and upheld its interchange fee rule except as to the issue of transaction monitoring costs, and remanded that issue back to the Federal Reserve for further explanation. In August 2014, the plaintiffs filed a petition for a writ of certiorari in the U.S. Supreme Court seeking review of the court of appeals decision.

In October 2014, six federal agencies (the Federal Reserve, OCC, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Federal Housing Finance Agency and the Department of Housing and Urban Development) adopted final rules to implement the credit risk retention requirements of Section 941 of Dodd-Frank for asset-backed securitization transactions. The regulations specify when and how securitizers of different types of asset-backed securitizations, including transactions backed by residential mortgages, commercial mortgages, and commercial, credit card and auto loans, must comply with the Dodd-Frank requirement that they retain at least five percent of the credit risk of the assets being securitized. The final rules also implement the exemptions from these credit risk retention requirements for transactions that are backed by qualified residential mortgages or other high-quality commercial mortgage, commercial or automobile loans, each as defined in the final rules. The regulations will take effect one year after publication in the *Federal Register* (which is expected in November 2014) with respect to new securitization transactions backed by residential mortgages and two years after publication in the *Federal Register* with respect to new securitization transactions backed by other types of assets. The final rules are likely to have an impact on PNC both directly, due to its role in certain types of securitization transactions, as

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well as indirectly, by impacting the markets for loans that PNC originates and securitizes, although the extent and magnitude of these impacts is not yet known and will, to some extent, depend on how the markets and market participants (including PNC) adjust to the new rules. For more information on the potential direct and indirect impact of the rules on PNC, see Item 1A Risk Factors in our 2013 Form 10-K.

For additional information concerning recent legislative and regulatory developments, as well as certain governmental, legislative and regulatory inquiries and investigations that may affect PNC, please see the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors, Recent Market and Industry Developments in the Executive Summary section of Item 7, and Note 23 Legal Proceedings and Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of our 2013 Form 10-K and Recent Market and Industry Developments in the Executive Summary section of our First Quarter 2014 Form 10-Q and Second Quarter 2014 Form 10-Q, as well as Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Key Factors Affecting Financial Performance

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

- General economic conditions, including the continuity, speed and stamina of the current U.S. economic expansion in general and on our customers in particular,
- The monetary policy actions and statements of the Federal Reserve and the Federal Open Market Committee (FOMC),
- The level of, and direction, timing and magnitude of movement in, interest rates and the shape of the interest rate yield curve,
- The functioning and other performance of, and availability of liquidity in, the capital and other financial markets,
- Loan demand, utilization of credit commitments and standby letters of credit, and asset quality,
- Customer demand for non-loan products and services,
- Changes in the competitive and regulatory landscape and in counterparty creditworthiness and performance as the financial services industry restructures in the current environment,
- The impact of the extensive reforms enacted in the Dodd-Frank legislation and other legislative, regulatory and administrative initiatives and actions, including those outlined elsewhere in this Report, in our 2013 Form 10-K and in our other SEC filings, and
- The impact of market credit spreads on asset valuations.

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

- Focused execution of strategic priorities for organic customer growth opportunities,
- Further success in growing profitability through the acquisition and retention of customers and deepening relationships,
- Driving growth in acquired and underpenetrated geographic markets, including our Southeast markets,
- Our ability to effectively manage PNC s balance sheet and generate net interest income,
- Revenue growth from fee income and our ability to provide innovative and valued products to our customers,
- Our ability to utilize technology to develop and deliver products and services to our customers and protect PNC s systems and customer information,
- Our ability to bolster our critical infrastructure and streamline our core processes,
- Our ability to manage and implement strategic business objectives within the changing regulatory environment,
- A sustained focus on expense management,
- Improving our overall asset quality,
- Managing the non-strategic assets portfolio and impaired assets,
- Continuing to maintain and grow our deposit base as a low-cost funding source,
- Prudent risk and capital management related to our efforts to manage risk to acceptable levels and to meet evolving regulatory capital and liquidity standards,
- Actions we take within the capital and other financial markets,
- The impact of legal and regulatory-related contingencies, and
- The appropriateness of reserves needed for critical accounting estimates and related contingencies.

For additional information, please see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our 2013 Form 10-K.

Income Statement Highlights

- Net income for the third quarter of 2014 was $1.0 billion, or $1.79 per diluted common share, compared to $1.0 billion, or $1.77 per diluted common share for the third quarter of 2013. Net income increased $10 million in the comparison, as a 2% reduction in noninterest expense and lower provision for credit losses were mostly offset by a 2% decline in total revenue. For additional detail, see the Consolidated Income Statement Review section in this Financial Review.

Net interest income of $2.1 billion for the third quarter of 2014 decreased 6% compared with the third quarter of 2013, primarily driven by lower

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purchase accounting accretion and lower yields on loans and investment securities, partially offset by the impact of commercial and commercial real estate loan growth.

Net interest margin decreased to 2.98% for the third quarter of 2014 compared to 3.47% for the third quarter of 2013. The decline reflected the impact of lower purchase accounting accretion, lower loan and securities yields in the ongoing low rate environment, and the impact of higher interest-earning deposits with the Federal Reserve Bank.

Noninterest income of $1.7 billion for the third quarter of 2014 increased 3% compared to the third quarter of 2013, as strong fee income growth was partially offset by declines in residential mortgage loan sales revenue, reductions in asset valuations and lower gains on asset sales.

The provision for credit losses decreased to $55 million for the third quarter of 2014 compared to $137 million for the third quarter of 2013 due to overall credit quality improvement.

Noninterest expense of $2.4 billion for the third quarter of 2014 decreased 2% compared with the third quarter of 2013 reflecting well managed expenses and the impact of the third quarter 2013 noncash charge related to redemption of trust preferred securities.

Credit Quality Highlights

Overall credit quality continued to improve during the first nine months of 2014. For additional detail, see the Credit Risk Management portion of the Risk Management section of this Financial Review.

Nonperforming assets decreased $.5 billion, or 14%, to $3.0 billion at September 30, 2014 compared to December 31, 2013. Nonperforming assets to total assets were 0.89% at September 30, 2014, compared to 1.08% at December 31, 2013.

Overall loan delinquencies of $2.0 billion at September 30, 2014 decreased $.5 billion, or 19%, compared with December 31, 2013.

The allowance for loan and lease losses was 1.70% of total loans and 130% of nonperforming loans at September 30, 2014, compared with 1.84% and 117% at December 31, 2013, respectively.

Net charge-offs of $82 million were down 63% compared to net charge-offs of $224 million for the third quarter of 2013. Annualized net charge-offs were 0.16% of average loans in the third quarter of 2014 and 0.47% of average loans in the third quarter of 2013. For the first nine months of 2014, net charge-offs were $413 million, and 0.28% of average loans on an annualized basis, compared with $888 million and 0.63% for the first nine months of 2013, respectively. The year-to-date comparisons were impacted by alignment with interagency guidance in the first quarter of 2013 on practices for loans and lines of credit related to consumer lending. In the first quarter 2013, this alignment had the overall effect of (i) accelerating charge-offs, (ii) increasing nonperforming loans and (iii) in the case of loans accounted for under the fair value option, increasing nonaccrual loans. See the Credit Risk Management portion of the Risk Management section of this Financial Review for further detail.

Balance Sheet Highlights

Total loans increased by $5.3 billion to $201 billion at September 30, 2014 compared to December 31, 2013.

- Total commercial lending increased by $6.9 billion, or 6%, as a result of growth in commercial and commercial real estate loans to new and existing customers.
- Total consumer lending decreased $1.7 billion, or 2%, due to lower home equity, residential mortgage and education loans partially offset by growth in automobile loans.

Total deposits increased by $5.4 billion to $226 billion at September 30, 2014 compared with December 31, 2013, driven by growth in transaction deposits.

PNC further increased its liquidity position as reflected in higher deposit balances maintained with the Federal Reserve Bank and expects to exceed the phase-in requirement of the short-term liquidity coverage ratio when it becomes effective for PNC as an advanced approaches bank beginning January 1, 2015.

PNC s well-positioned balance sheet remained core funded with a loans to deposits ratio of 89% at September 30, 2014.

The Transitional Basel III common equity Tier 1 capital ratio, calculated using the regulatory capital methodology applicable to PNC during 2014, increased to 11.1% at September 30, 2014.

Pro forma fully phased-in Basel III common equity Tier 1 capital ratio increased to an estimated 10.1% at September 30, 2014 from 9.4% at December 31, 2013 based on the standardized approach rules. See the Capital discussion and Table 18 in the Consolidated Balance Sheet Review section of this Financial Review and the December 31, 2013 capital ratio tables in the Statistical Information section of this Report for more detail.

Our Consolidated Income Statement and Consolidated Balance Sheet Review sections of this Financial Review describe in greater detail the various items that impacted our results during the first nine months of 2014 and 2013 and balances at September 30, 2014 and December 31, 2013, respectively.

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Capital and Liquidity Actions

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

In connection with the 2014 CCAR, PNC submitted its 2014 capital plan, approved by its Board of Directors, to the Federal Reserve in January 2014. As we announced on March 26, 2014, the Federal Reserve accepted the capital plan and did not object to our proposed capital actions, which included a recommendation to increase the quarterly common stock dividend in the second quarter of 2014. The capital plan also included share repurchase programs of up to $1.5 billion for the four quarter period beginning in the second quarter of 2014 under PNC s existing common stock repurchase authorization. These programs include repurchases of up to

$200 million to mitigate the financial impact of employee benefit plan transactions. In the second and third quarters of 2014, in accordance with the 2014 capital plan, we repurchased 6.8 million shares of common stock on the open market, with an average price of $85.55 per share and an aggregate repurchase price of $583 million. For additional information concerning the CCAR process and the factors the Federal Reserve takes into consideration in evaluating capital plans, see the Supervision and Regulation section in Item 1 Business of our 2013 Form 10-K.

On April 3, 2014, consistent with our 2014 capital plan, our Board of Directors approved an increase to PNC s quarterly common stock dividend from 44 cents per common share to 48 cents per common share beginning with the May 5, 2014 dividend payment.

See the Liquidity Risk Management portion of the Risk Management section of this Financial Review for more detail on our 2014 capital and liquidity actions.

Average Consolidated Balance Sheet Highlights

Table 2: Summarized Average Balance Sheet

Nine months ended September 30			Change	
Dollars in millions	2014	2013	$	%
Average assets				
Interest-earning assets				
Investment securities	$ 56,357	$ 57,304	$ (947)	(2)%
Loans	198,559	188,419	10,140	5%
Interest-earning deposits with banks	16,341	3,041	13,300	437%
Other	8,476	8,565	(89)	(1)%
Total interest-earning assets	279,733	257,329	22,404	9%
Noninterest-earning assets	44,145	45,503	(1,358)	(3)%
Total average assets	$ 323,878	$ 302,832	$ 21,046	7%
Average liabilities and equity				
Interest-bearing liabilities				
Interest-bearing deposits	$ 151,757	$ 145,041	$ 6,716	5%
Borrowed funds	47,620	38,994	8,626	22%
Total interest-bearing liabilities	199,377	184,035	15,342	8%
Noninterest-bearing deposits	68,976	65,485	3,491	5%
Other liabilities	10,389	11,261	(872)	(8)%
Equity	45,136	42,051	3,085	7%
Total average liabilities and equity	$ 323,878	$ 302,832	$ 21,046	7%

Various seasonal and other factors impact our period-end balances, whereas average balances are generally more indicative of underlying business trends apart from the impact of acquisitions and divestitures. The Consolidated Balance Sheet Review section of this Financial Review provides information on changes in selected Consolidated Balance Sheet categories at September 30, 2014 compared with December 31, 2013. Total assets were $334.4 billion at September 30, 2014 compared with $320.2 billion at December 31, 2013.

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Average investment securities declined in the comparison of the first nine months of 2014 with the first nine months of 2013, as a net decrease in average residential and commercial mortgage-backed securities from principal payments was partially offset by an increase in average U.S. Treasury and government agencies securities, which was largely driven by purchases to enhance our liquidity position. Total investment securities comprised 20% of average interest-earning assets for the first nine months of 2014 and 22% for the first nine months of 2013.

The increase in average total loans in the first nine months of 2014 compared with the first nine months of 2013 was driven by increases in average commercial loans of $6.0 billion, average commercial real estate loans of $3.4 billion and average consumer loans of $.9 billion. The overall increase in loans reflected organic loan growth, primarily in our Corporate & Institutional Banking segment.

Loans represented 71% of average interest-earning assets for the first nine months of 2014 and 73% of average interest-earning assets for the first nine months of 2013.

Average interest-earning deposits with banks, which are primarily maintained with the Federal Reserve Bank, increased significantly in the comparison to the prior year period as we continued to enhance our liquidity position.

The decrease in average noninterest-earning assets in the first nine months of 2014 compared with the first nine months of 2013 was primarily driven by decreased unsettled securities sales and securities valuations, both of which are included in noninterest-earning assets for average balance sheet purposes.

Average total deposits increased $10.2 billion to $220.7 billion in the first nine months of 2014 compared with the first nine months of 2013, primarily due to an increase of $11.9 billion in average transaction deposits, which grew to $186.8 billion for the first nine months of 2014. Higher average money market deposits, average noninterest-bearing deposits and average interest-bearing demand deposits drove the increase in both commercial and consumer average transaction deposits. These increases were partially offset by a decrease of $2.7 billion in average retail certificates of deposit attributable to runoff of maturing accounts. Total deposits at September 30, 2014 were $226.3 billion compared with $220.9 billion at December 31, 2013 and are further discussed within the Consolidated Balance Sheet Review section of this Financial Review.

Average total deposits represented 68% of average total assets for the first nine months of 2014 and 70% for the first nine months of 2013.

The increase in average borrowed funds in the first nine months of 2014 compared with the first nine months of 2013 was primarily due to increases in average Federal Home Loan Bank (FHLB) borrowings and average bank notes and senior debt, in part to enhance our liquidity position. These increases were partially offset by a decline in average commercial paper. Total borrowed funds at September 30, 2014 were $52.3 billion compared with $46.1 billion at December 31, 2013 and are further discussed within the Consolidated Balance Sheet Review section of this Financial Review. The Liquidity Risk Management portion of the Risk Management section of this Financial Review includes additional information regarding our sources and uses of borrowed funds.

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Business Segment Highlights

Total business segment earnings were $3.0 billion for the first nine months of 2014 and 2013. The Business Segments Review section of this Financial Review includes further analysis of our business segment results over the first nine months of 2014 and 2013, including presentation differences from Note 18 Segment Reporting in our Notes To Consolidated Financial Statements of this Report. Note 18 Segment Reporting presents results of businesses for the three months and nine months ended September 30, 2014 and 2013.

We provide a reconciliation of total business segment earnings to PNC total consolidated net income as reported on a GAAP basis in Note 18 Segment Reporting in our Notes To Consolidated Financial Statements of this Report.

Table 3: Results Of Businesses Summary

(Unaudited)

	Net Income		Revenue		Average Assets (a)	
Nine months ended September 30 in millions	2014	2013	2014	2013	2014	2013
Retail Banking	$ 556	$ 443	$ 4,529	$ 4,600	$ 75,264	$ 74,620
Corporate & Institutional Banking	1,542	1,695	4,032	4,117	121,232	112,152
Asset Management Group	136	126	826	771	7,687	7,289
Residential Mortgage Banking	44	93	618	773	7,889	10,170
BlackRock	399	338	528	442	6,562	6,102
Non-Strategic Assets Portfolio	291	260	447	575	8,563	10,238
Total business segments	2,968	2,955	10,980	11,278	227,197	220,571
Other (b) (c) (d)	182	183	448	661	96,681	82,261
Total	$ 3,150	$ 3,138	$ 11,428	$ 11,939	$ 323,878	$ 302,832

(a) Period-end balances for BlackRock.
(b) Other average assets include investment securities associated with asset and liability management activities.
(c) Other includes differences between the total business segment financial results and our total consolidated net income. Additional detail is included in the Business Segments Review section of this Financial Review and in Note 18 Segment Reporting in the Notes To Consolidated Financial Statements in this Report.
(d) The decrease in revenue in the first nine months of 2014 compared to the first nine months of 2013 for Other reflected a decline in net interest income primarily due to decreased investment securities income and higher borrowed funds expense, while the decline in noninterest income was more than offset by a decrease in noninterest expense.

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CONSOLIDATED INCOME STATEMENT REVIEW

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

Net income was $3.2 billion for the first nine months of 2014, an increase of $12 million compared to the first nine months of 2013, as a 3% reduction in noninterest expense and significantly lower provision for credit losses were mostly offset by a 4% decline in total revenue, driven by lower net interest income and slightly lower noninterest income.

Third quarter 2014 net income increased $10 million to $1.0 billion, compared with third quarter 2013. A 2% decrease in noninterest expense and lower provision for credit losses were largely offset by a 2% decline in total revenue. The decrease in revenue resulted from lower net interest income, which was partially offset by a 3% increase in noninterest income.

Net Interest Income

Table 4: Net Interest Income and Net Interest Margin

	Nine months ended September 30		Three months ended September 30	
Dollars in millions	2014	2013	2014	2013
Net interest income	$ 6,428	$ 6,881	$ 2,104	$ 2,234
Net interest margin	3.12%	3.62%	2.98%	3.47%

Changes in net interest income and margin result from the interaction of the volume and composition of interest-earning assets and related yields, interest-bearing liabilities and related rates paid, and noninterest-bearing sources of funding. See the Statistical Information (Unaudited) Average Consolidated Balance Sheet And Net Interest Analysis section of this Report and the discussion of purchase accounting accretion on purchased impaired loans in the Consolidated Balance Sheet Review section of this Financial Review for additional information.

Net interest income decreased by $453 million, or 7%, in the first nine months of 2014 compared with the prior year period, including a decline of $130 million, or 6%, in the third quarter comparison. The decreases in both comparisons were primarily due to lower purchase accounting accretion and lower yields on loans and investment securities, partially offset by the impact of commercial and commercial real estate loan growth. The declines also reflected the impact from the second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to noninterest income. Lower investment securities balances in both comparisons also contributed to the decline.

Lower net interest margins in both comparisons were driven by 52 basis point and 49 basis point declines in the yields on total interest-earning assets in both the year-to-date and quarterly comparisons, respectively, which included the impact of lower purchase accounting accretion, continued spread compression, and repricing of new and existing loans and securities in a lower rate environment. The rate paid on interest-bearing liabilities remained relatively stable in both comparisons.

The declines in total interest-earning asset yields, in both comparisons, primarily reflected lower yields on new and repricing loans in the ongoing low rate environment, the impact of the second quarter 2014 correction to reclassify certain commercial facility fees and the impact of higher interest-earning deposits maintained with the Federal Reserve Bank. Both comparisons also reflected lower yields on the investment securities portfolio.

In the fourth quarter of 2014, we expect net interest income to be down modestly due to the continued decline in purchase accounting accretion and further interest rate spread compression related to loans and investment securities.

For full year 2014, we expect total purchase accounting accretion to be down approximately $275 million compared with 2013. In 2015, we expect purchase accounting accretion to be down approximately $225 million compared to 2014.

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Noninterest Income

Table 5: Noninterest Income

	Nine months ended September 30				Three months ended September 30			
			Change				Change	
Dollars in millions	2014	2013	$	%	2014	2013	$	%
Noninterest income								
Asset management	$ 1,137	$ 978	$ 159	16%	$ 411	$ 330	$ 81	25%
Consumer services	933	926	7	1%	320	316	4	1%
Corporate services	1,018	909	109	12%	374	306	68	22%
Residential mortgage	483	600	(117)	(20)%	140	199	(59)	(30)%
Service charges on deposits	482	439	43	10%	179	156	23	15%
Net gains on sales of securities	4	96	(92)	(96)%		21	(21)	(100)%
Net other-than-temporary impairments	(4)	(16)	12	75%	(1)	(2)	1	50%
Other	947	1,126	(179)	(16)%	314	360	(46)	(13)%
Total noninterest income	$ 5,000	$ 5,058	$ (58)	(1)%	$ 1,737	$ 1,686	$ 51	3%

Noninterest income decreased in the comparison to the first nine months of 2013 as strong fee income growth was more than offset by declines in residential mortgage loan sales revenue, reductions in asset valuations and lower gains on asset sales. In the quarterly comparison, noninterest income increased in the current quarter, as the strong growth in fee income was only partially offset by the declines in residential mortgage loan sales revenue, asset valuations and gains on asset sales.

Noninterest income as a percentage of total revenue was 44% for the first nine months of 2014, up from 42% for the first nine months of 2013. The comparable amounts for the third quarters of 2014 and 2013 were 45% and 43%, respectively.

Asset management revenue increased in both comparisons due to increased earnings from our BlackRock investment, stronger average equity markets in the respective periods and positive net flows, after adjustments for cyclical client activities. Discretionary client assets under management increased to $132 billion at September 30, 2014 compared with $122 billion at September 30, 2013 driven by higher equity markets, new sales and positive net flows.

Consumer service fees increased slightly in both the year-to-date and third quarter comparisons, primarily due to growth in customer-initiated transaction volumes that was mostly offset by several individually insignificant items.

Corporate services revenue increased to $1.0 billion for the first nine months of 2014, including $374 million in the third quarter of 2014, compared to $.9 billion for the first nine months of 2013, which included $306 million for the third quarter of 2013. The comparisons reflected higher merger and acquisition advisory fees and the impact of the second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to noninterest income. These increases were partially offset by lower net commercial mortgage servicing rights valuation gains, which were $33

million for the first nine months of 2014 compared to $73 million for the first nine months of 2013. The respective gain amount for the third quarter of 2013 was $18 million, while the amount for the third quarter of 2014 was not significant.

Residential mortgage revenue decreased to $483 million in the first nine months of 2014 compared with $600 million in the first nine months of 2013. In the third quarter 2014 comparison, residential mortgage revenue declined to $140 million compared with $199 million in the third quarter of 2013. Both comparisons included lower loan sales revenue from a reduction in origination volume and lower net hedging gains on residential mortgage servicing rights, partially offset by higher loan servicing fee revenue. The decline in loan sales revenue in the year-to-date comparison was partially offset by the impact of second quarter 2014 gains on sales of previously underperforming portfolio loans.

In addition, the overall decline in residential mortgage revenue for the first nine months of 2014 was partially offset by the impact of improvement in the provision for residential mortgage repurchase obligations, which was a small benefit for the first nine months of 2014 compared to a provision of $71 million in the prior year period. The respective amounts in the third quarters of 2014 and 2013 were not significant.

Service charges on deposits increased in both comparisons to the prior year periods due to growth in customer-initiated transactions and changes in product offerings.

Other noninterest income decreased to $.9 billion for the first nine months of 2014 compared with $1.1 billion for the first nine months of 2013. Third quarter 2014 other noninterest income declined to $314 million compared to $360 million for the third quarter of 2013. Both declines were driven by lower asset valuations and reduced overall gains on sale of other assets, partially offset by higher revenue associated with private equity investments. The year-to-date comparison also reflected lower revenue from a decline in the market value of investments related to deferred compensation obligations.

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The declines in asset valuations in the nine months period comparison included lower revenue from credit valuations for customer-related derivatives activities due to lower market interest rates impacting the fair value of PNC s credit exposure on these activities, which resulted in a loss of $15 million for the first nine months of 2014 compared to income of $40 million for the first nine months of 2013. The impacts to both the third quarters of 2014 and 2013 were not significant.

Other noninterest income in the first nine months of 2014 included gains of $173 million on sales of 3 million shares of Visa Class B common shares, compared to $168 million of gains on sales of 4 million shares in the first nine months of 2013. The comparable amounts for the third quarters of 2014 and 2013 were gains of $57 million and $85 million on sales of 1 million and 2 million shares, respectively. At September 30, we held approximately 7 million Visa Class B common shares with a fair value of approximately $648 million and a recorded investment of approximately $89 million.

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

In the fourth quarter of 2014, we expect fee-based noninterest income to remain stable as we anticipate seasonal growth and higher fee-based business activity to offset an expected fourth quarter decline in anticipated merger and acquisition advisory fees compared to the third quarter.

Provision For Credit Losses

The provision for credit losses totaled $221 million for the first nine months of 2014 compared with $530 million for the first nine months of 2013 and was $55 million for the third quarter of 2014 compared with $137 million for the third quarter of 2013. The decreases in provision reflected improved overall credit quality, including lower consumer loan delinquencies. A contributing economic factor in the nine month comparison was the increasing value of residential real estate, which improved expected cash flows from our purchased impaired loans.

Assuming a continuation of current credit trends, we expect our provision for credit losses in the fourth quarter of 2014 to be between $25 million and $75 million.

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

Noninterest Expense

Noninterest expense decreased $218 million, or 3%, to $6.9 billion for the first nine months of 2014 compared to the prior year period, reflecting overall disciplined expense management. The decline was driven by a decrease in personnel expense related to lower headcount and benefits costs and the impacts of a first quarter 2013 contribution to the PNC Foundation and noncash charges for unamortized discounts of $57 million related to redemption of trust preferred securities in the first nine months of 2013.

Noninterest expense was $2.4 billion in the third quarter of 2014, a decline of $37 million, or 2%, compared with third quarter 2013. The decrease reflected well-controlled expenses and the impact of the third quarter 2013 noncash charge related to redemption of trust preferred securities of $27 million. These declines were partially offset by investments in technology and infrastructure.

In the first nine months of 2014, we have completed actions to achieve our full year 2014 continuous improvement savings goal of $500 million. These cost savings are funding investments in our infrastructure, including those related to cybersecurity, and investments in our diversified businesses, including our Retail Banking transformation, consistent with our strategic priorities.

For the fourth quarter of 2014, we expect noninterest expense to increase by low single digits, on a percentage basis, compared to third quarter 2014 related to expected seasonally higher fourth quarter expenses and as we continue to invest in our businesses and infrastructure. We expect to partially offset these increases with expected cost savings from our continuous improvement savings program.

Effective Income Tax Rate

The effective income tax rate was 26.0% in both the first nine months of 2014 and 2013. For the third quarter of 2014, our effective income tax rate was 27.4% compared with 26.0% for the third quarter of 2013. The effective tax rate is generally lower than the statutory rate primarily due to tax credits PNC receives from our investments in low income housing and new markets investments, as well as earnings in other tax exempt investments.

The higher effective income tax rate in the third quarter of 2014 compared to the third quarter of 2013 was primarily attributable to the 2013 tax benefit recognized by asserting that earnings of the Luxembourg-UK lending business were indefinitely reinvested.

The effective tax rate for both the 2014 and 2013 periods reflects the adoption of Accounting Standards Update (ASU) 2014-01, which relates to amortization of investments in low income housing tax credits. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further detail. The retrospective application of this guidance resulted in increased income tax expenses in both periods due to the reclassification of noninterest expense associated with these investments.

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CONSOLIDATED BALANCE SHEET REVIEW

Table 6: Summarized Balance Sheet Data

	September 30	December 31	Change	
Dollars in millions	2014	2013	$	%
Assets				
Interest-earning deposits with banks	$ 26,247	$ 12,135	$ 14,112	116%
Loans held for sale	2,143	2,255	(112)	(5)%
Investment securities	55,039	60,294	(5,255)	(9)%
Loans	200,872	195,613	5,259	3%
Allowance for loan and lease losses	(3,406)	(3,609)	203	6%
Goodwill	9,074	9,074		%
Other intangible assets	1,994	2,216	(222)	(10)%
Other, net	42,461	42,214	247	1%
Total assets	$ 334,424	$ 320,192	$ 14,232	4%
Liabilities				
Deposits	$ 226,304	$ 220,931	$ 5,373	2%
Borrowed funds	52,327	46,105	6,222	13%
Other	9,798	9,119	679	7%
Total liabilities	288,429	276,155	12,274	4%
Equity				
Total shareholders equity	44,481	42,334	2,147	5%
Noncontrolling interests	1,514	1,703	(189)	(11)%
Total equity	45,995	44,037	1,958	4%
Total liabilities and equity	$ 334,424	$ 320,192	$ 14,232	4%

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

The increase in total assets was primarily due to higher interest-earning deposits with banks and loan growth, partially offset by lower investment securities. The increase in interest-earning deposits with banks was driven by higher deposit balances maintained with the Federal Reserve Bank in part due to regulatory short-term liquidity standards that begin to be phased in starting January 1, 2015. Interest-earning deposits with banks included balances held with the Federal Reserve Bank of Cleveland of $25.9 billion and $11.7 billion at September 30, 2014 and December 31, 2013, respectively. The increase in liabilities was largely due to growth in deposits and higher Federal Home Loan Bank borrowings and issuances of bank notes and senior debt and subordinated debt, partially offset by a decline in federal funds purchased and repurchase agreements. An analysis of changes in selected balance sheet categories follows.

Loans

Outstanding loan balances of $200.9 billion at September 30, 2014 and $195.6 billion at December 31, 2013 were net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $1.8 billion at September 30, 2014 and $2.1 billion at December 31, 2013, respectively. The balances include purchased impaired loans but do not include future accretable net interest (*i.e.*, the difference between the undiscounted expected cash flows and the carrying value of the loan) on those loans.

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Table 7: Details Of Loans

	September 30	December 31	Change	
Dollars in millions	2014	2013	$	%
Commercial lending				
Commercial				
Retail/wholesale trade	$ 16,162	$ 15,530	$ 632	4%
Manufacturing	18,649	16,208	2,441	15%
Service providers	13,603	13,052	551	4%
Real estate related (a)	10,722	10,729	(7)	%
Financial services	5,218	4,927	291	6%
Health care	9,095	8,690	405	5%
Other industries	20,051	19,242	809	4%
Total commercial	93,500	88,378	5,122	6%
Commercial real estate				
Real estate projects (b)	14,564	13,613	951	7%
Commercial mortgage	8,378	7,578	800	11%
Total commercial real estate	22,942	21,191	1,751	8%
Equipment lease financing	7,621	7,576	45	1%
Total commercial lending (c)	124,063	117,145	6,918	6%
Consumer lending				
Home equity				
Lines of credit	20,667	21,696	(1,029)	(5)%
Installment	14,388	14,751	(363)	(2)%
Total home equity	35,055	36,447	(1,392)	(4)%
Residential real estate				
Residential mortgage	13,805	14,418	(613)	(4)%
Residential construction	546	647	(101)	(16)%
Total residential real estate	14,351	15,065	(714)	(5)%
Credit card	4,449	4,425	24	1%
Other consumer				
Education	6,978	7,534	(556)	(7)%
Automobile	11,548	10,827	721	7%
Other	4,428	4,170	258	6%
Total consumer lending	76,809	78,468	(1,659)	(2)%
Total loans	$ 200,872	$ 195,613	$ 5,259	3%

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

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

Loans represented 60% of total assets at September 30, 2014 and 61% at December 31, 2013. Commercial lending represented 62% of the loan portfolio at September 30, 2014 and 60% at December 31, 2013. Consumer lending represented 38% of the loan portfolio at September 30, 2014 and 40% at December 31, 2013.

Commercial real estate loans represented 11% of total loans at both September 30, 2014 and December 31, 2013 and represented 7% of total assets at both September 30, 2014 and December 31, 2013. See the Credit Risk Management portion of the Risk Management section of this Financial Review for additional information regarding our loan portfolio.

Total loans above include purchased impaired loans of $5.2 billion, or 3% of total loans, at September 30, 2014, and $6.1 billion, or 3% of total loans, at December 31, 2013.

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

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Allowance for Loan and Lease Losses (ALLL)

Our total ALLL of $3.4 billion at September 30, 2014 consisted of $1.6 billion and $1.8 billion established for the commercial lending and consumer lending categories, respectively. The ALLL included what we believe to be appropriate loss coverage on all loans, including higher risk loans, in the commercial and consumer portfolios. We do not consider government insured or guaranteed loans to be higher risk as defaults have historically been materially mitigated by payments of insurance or guarantee amounts for approved claims. Additional information regarding our higher risk loans is included in the Credit Risk Management portion of the Risk Management section of this Financial Review and Note 1 Accounting Policies, Note 4 Asset Quality and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in our Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report.

Purchase Accounting Accretion and Valuation of Purchased Impaired Loans

Information related to purchase accounting accretion and accretable yield for the first nine months of 2014 and 2013 follows. Additional information is provided in Note 5 Purchased Loans in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report.

Table 8: Accretion Purchased Impaired Loans

In millions	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Accretion on purchased impaired loans				
Scheduled accretion	$ 109	$ 145	$ 354	$ 452
Reversal of contractual interest on impaired loans	(57)	(82)	(195)	(250)
Scheduled accretion net of contractual interest	52	63	159	202
Excess cash recoveries	31	26	95	87
Total	$ 83	$ 89	$ 254	$ 289

Table 9: Purchased Impaired Loans Accretable Yield

In millions	2014	2013
January 1	$ 2,055	$ 2,166
Scheduled accretion	(354)	(452)
Excess cash recoveries	(95)	(87)
Net reclassifications to accretable from non-accretable and other activity (a)	213	557
September 30 (b)	$ 1,819	$ 2,184

(a) Approximately 68% and 60% of the net reclassifications for the first nine months ended September 30, 2014 and 2013, respectively, were driven by the consumer portfolio and were due to improvements of cash expected to be collected on both RBC Bank (USA) and National City loans in future periods with the remainder predominantly due to future cash flow changes in the commercial portfolio.

(b) As of September 30, 2014, we estimate that $1.8 billion of accretable interest on purchased credit impaired loans will be recognized in future interest income, $1.0 billion of which is expected to be contractual interest.

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Information related to the valuation of purchased impaired loans at September 30, 2014 and December 31, 2013 follows.

Table 10: Valuation of Purchased Impaired Loans

	September 30, 2014		December 30, 2013	
Dollars in millions	Balance	Net Investment	Balance	Net Investment
Commercial and commercial real estate loans:				
Outstanding balance	$ 573		$ 937	
Purchased impaired mark	(168)		(264)	
Recorded investment	405		673	
Allowance for loan losses	(96)		(133)	
Net investment	309	54%	540	58%
Consumer and residential mortgage loans:				
Outstanding balance	4,795		5,548	
Purchased impaired mark	(33)		(115)	
Recorded investment	4,762		5,433	
Allowance for loan losses	(795)		(871)	
Net investment	3,967	83%	4,562	82%
Total purchased impaired loans:				
Outstanding balance	5,368		6,485	
Purchased impaired mark	(201)		(379)	
Recorded investment	5,167		6,106	
Allowance for loan losses	(891)		(1,004)	
Net investment	$ 4,276	80%	$ 5,102	79%

At September 30, 2014, our largest individual purchased impaired loan had a recorded investment of $11 million. We currently expect to collect total cash flows of $6.1 billion on purchased impaired loans, representing the $4.3 billion net investment at September 30, 2014 and the accretable net interest of $1.8 billion shown in Table 9.

Weighted Average Life of the Purchased Impaired Portfolios

The table below provides the weighted average life (WAL) for each of the purchased impaired portfolios as of September 30, 2014.

Table 11: Weighted Average Life of the Purchased Impaired Portfolios

As of September 30, 2014

Dollars in millions	Recorded Investment	WAL (a)
Commercial	$ 82	1.9 years
Commercial real estate	323	1.5 years
Consumer (b)	2,065	4.3 years
Residential real estate (c)	2,697	5.3 years
Total	$ 5,167	4.6 years

(a) Weighted average life represents the average number of years for which each dollar of unpaid principal remains outstanding.
(b) Portfolio primarily consists of nonrevolving home equity products.
(c) In 2014, the weighted average life of the purchased impaired portfolio increased, primarily driven by residential real estate. Increasing a portfolio s weighted average life may result in more interest income being recognized on purchased impaired loans in future periods.

Purchased Impaired Loans Accretable Difference Sensitivity Analysis

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

Table 12: Accretable Difference Sensitivity Total Purchased Impaired Loans

In billions	September 30, 2014	Declining Scenario (a)	Improving Scenario (b)
Expected cash flows	$ 6.1	$(.1)	$ .3
Accretable difference	1.8		.1
Allowance for loan and lease losses	(.9)	(.1)	.2

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

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

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

Net Unfunded Credit Commitments

Net unfunded credit commitments are comprised of the following:

Table 13: Net Unfunded Loan Commitments

In millions	September 30 2014	December 31 2013
Total commercial lending (a)	$ 96,815	$ 90,104
Home equity lines of credit	18,029	18,754
Credit card	17,659	16,746
Other	4,292	4,266
Total	$ 136,795	$ 129,870

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

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions.

Standby bond purchase agreements totaled $1.1 billion at September 30, 2014 and $1.3 billion at December 31, 2013 and are included in the preceding table, primarily within the Total commercial lending category.

In addition to the credit commitments set forth in the table above, our net outstanding standby letters of credit totaled $10.2 billion at September 30, 2014 and $10.5 billion at December 31, 2013. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

Information regarding our allowance for unfunded loan commitments and letters of credit is included in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Investment Securities

The following table presents the distribution of our investment securities portfolio. We have included credit ratings information because the information is an indicator of the degree of credit risk to which we are exposed. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio. For those securities, where during our quarterly security-level impairment assessments we determined losses represented other-than-temporary impairment (OTTI), we have recorded cumulative credit losses of $1.2 billion in earnings and accordingly have reduced the amortized cost of our securities. See Table 76 in Note 7 Investment Securities in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for more detail. The majority of these cumulative impairment charges related to non-agency residential mortgage-backed and asset-backed securities rated BB or lower.

Table 14: Investment Securities

	September 30, 2014	December 31, 2013	Ratings (a)

					As of September 30, 2014				
Dollars in millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value	AAA/ AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	$ 5,422	$ 5,619	$ 4,229	$ 4,361	100%				
Agency residential mortgage-backed (b)	23,271	23,688	27,370	27,535	100				
Non-agency residential mortgage-backed	5,180	5,423	5,750	5,894	11	1%	2%	81%	5%
Agency commercial mortgage-backed (b)	3,039	3,094	2,996	3,063	100				
Non-agency commercial mortgage-backed (c)	4,771	4,869	5,624	5,744	73	10	8	4	5
Asset-backed (d)	5,836	5,890	6,763	6,773	89	2		8	1
State and municipal	4,031	4,192	3,664	3,678	82	12			6
Other debt	2,117	2,159	2,845	2,891	66	23	10		1
Corporate stock and other	391	397	434	433					100
Total investment securities (e)	$ 54,058	$ 55,331	$ 59,675	$ 60,372	85%	3%	1%	9%	2%

(a) Ratings percentages allocated based on amortized cost.

(b) These line items were corrected for the prior period due to a misclassification of Government National Mortgage Association (GNMA) securities collateralized by project loans. $1.1 billion was previously reported as residential mortgage-backed agency securities and was reclassified to commercial mortgage-backed agency securities.

(c) Collateralized primarily by retail properties, office buildings, lodging properties and multi-family housing.

(d) Collateralized primarily by government guaranteed student loans and other consumer credit products and corporate debt.

(e) Includes available for sale and held to maturity securities.

Investment securities represented 16% of total assets at September 30, 2014 and 19% at December 31, 2013.

We evaluate our investment securities portfolio in light of changing market conditions and other factors and, where appropriate, take steps to improve our overall positioning. We consider the portfolio to be well-diversified and of high quality. At September 30, 2014, 85% of the securities in the portfolio were rated AAA/AA, with U.S. Treasury and government agencies, agency residential mortgage-backed and agency commercial mortgage-backed securities collectively representing 59% of the portfolio.

The investment securities portfolio includes both available for sale and held to maturity securities. Securities classified as available for sale are carried at fair value with net unrealized gains and losses, representing the difference between amortized cost and fair value, included in Shareholders equity as Accumulated other comprehensive income or loss, net of tax, on our Consolidated Balance Sheet. Securities classified as held to maturity are carried at amortized cost. As of September 30, 2014, the amortized cost and fair value of available for sale securities totaled $42.6 billion and $43.6 billion, respectively, compared to an amortized cost and fair value as of December 31, 2013 of $48.0 billion and $48.6 billion, respectively. The amortized cost and fair value of held to maturity securities were $11.4 billion and $11.7 billion, respectively, at September 30, 2014, compared to $11.7 billion and $11.8 billion, respectively, at December 31, 2013.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally decreases when interest rates increase and vice versa. In addition, the fair value generally decreases when credit spreads widen and vice versa. Net unrealized gains in the total investment securities portfolio increased to $1.3 billion at September 30, 2014 from $.7 billion at December 31, 2013 primarily due to the impact of market interest rates and credit spreads. The comparable amounts for the securities available for sale portfolio were $1.0 billion and $.6 billion, respectively.

Unrealized gains and losses on available for sale debt securities do not impact liquidity. However these gains and losses do affect risk-based capital under the regulatory capital rules in effect beginning in 2014 for PNC. Also, a change in the securities credit ratings could impact the liquidity of the securities and may be indicative of a change in credit quality, which could affect our risk-weighted assets and, therefore, our regulatory capital ratios under the regulatory capital rules in effect for 2014. In addition, the amount representing the credit-related portion of OTTI on available for sale securities would reduce our earnings and regulatory capital ratios.

During the second quarter of 2014, we transferred securities with a fair value of $1.4 billion from available for sale to held to maturity. We changed our intent and committed to hold these high-quality securities to maturity in order to reduce the impact of price volatility on Accumulated other comprehensive income and certain capital measures, after taking into consideration market conditions and regulatory capital requirements under Basel III capital standards. See additional discussion of this transfer in Note 7 Investment Securities in our Notes To Consolidated Financial Statements included in Part I, Item I of this Report.

The duration of investment securities was 2.4 years at September 30, 2014. We estimate that, at September 30, 2014, the effective duration of investment securities was 2.5 years for an immediate 50 basis points parallel increase in interest rates and 2.3 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2013 were 3.0 years and 2.8 years, respectively.

At least quarterly, we conduct a comprehensive security-level impairment assessment on all securities. For securities in an unrealized loss position, we determine whether the loss represents OTTI. For debt securities that we neither intend to sell nor believe we will be required to sell prior to expected recovery, we recognize the credit portion of OTTI charges in current earnings and include the noncredit portion of OTTI in Net unrealized gains (losses) on OTTI securities on our Consolidated Statement of Comprehensive Income and net of tax in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheet. During the first nine months of 2014 and 2013 we recognized OTTI credit losses of $4 million and $16 million, respectively. The credit losses related to residential mortgage-backed and asset-backed securities collateralized by non-agency residential loans.

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

Additional information regarding our investment securities is included in Note 7 Investment Securities and Note 8 Fair Value in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report.

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Loans Held for Sale

Table 15: Loans Held For Sale

In millions	September 30 2014	December 31 2013
Commercial mortgages at fair value	$ 867	$ 586
Commercial mortgages at lower of cost or fair value	24	281
Total commercial mortgages	891	867
Residential mortgages at fair value	1,187	1,315
Residential mortgages at lower of cost or fair value	24	41
Total residential mortgages	1,211	1,356
Other	41	32
Total	$ 2,143	$ 2,255

We account for certain commercial mortgage loans classified as held for sale at fair value. As of September 1, 2014, we have elected to apply the fair value option to certain commercial mortgage loans held for sale to agencies. This election applies to all new commercial mortgage loans held for sale originated for sale to the agencies effective on or after September 1, 2014. The election of fair value option aligns the accounting for the commercial mortgages with the related commitments to sell the loans.

We sold $2.0 billion of commercial mortgage loans to agencies during the first nine months of 2014 compared to $2.1 billion during the first nine months of 2013. Total gains of $49 million were recognized on the valuation and sale of commercial mortgage loans held for sale, net of hedges, during the first nine months of 2014, including $20 million in the third quarter. Comparable amounts for 2013 were $57 million and $14 million, respectively.

Residential mortgage loan origination volume was $7.1 billion during the first nine months of 2014 compared to $12.6 billion for the first nine months of 2013. The majority of such loans were originated under agency or Federal Housing Administration (FHA) standards. We sold $6.4 billion of loans and recognized related gains of $323 million during the first nine months of 2014, of which $98 million occurred in the third quarter. The comparable amounts for the first nine months of 2013 were $12.1 billion and $470 million, respectively, including $108 million in the third quarter.

Interest income on loans held for sale was $73 million in the first nine months of 2014, including $26 million in the third quarter. Comparable amounts for 2013 were $126 million and $41 million, respectively. These amounts are included in Other interest income on our Consolidated Income Statement.

Additional information regarding our loan sale and servicing activities is included in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities and Note 8 Fair Value in our Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets totaled $11.1 billion at September 30, 2014 and $11.3 billion at December 31, 2013. The decrease of $.2 billion was primarily due to fair value changes of residential mortgage servicing rights, partially offset by new additions and purchases of mortgage servicing rights. See additional information regarding our goodwill and intangible assets in Note 9 Goodwill and Other Intangible Assets included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Funding Sources

Table 16: Details Of Funding Sources

Dollars in millions	September 30 2014	December 31 2013	Change $	Change %
Deposits				
Money market	$ 113,727	$ 108,631	$ 5,096	5%
Demand	78,495	77,756	739	1%
Retail certificates of deposit	18,963	20,795	(1,832)	(9)%
Savings	12,226	11,078	1,148	10%
Time deposits in foreign offices and other time deposits	2,893	2,671	222	8%
Total deposits	226,304	220,931	5,373	2%
Borrowed funds				
Federal funds purchased and repurchase agreements	3,499	4,289	(790)	(18)%
Federal Home Loan Bank borrowings	16,471	12,912	3,559	28%
Bank notes and senior debt	15,327	12,603	2,724	22%
Subordinated debt	9,046	8,244	802	10%
Commercial paper	4,809	4,997	(188)	(4)%
Other	3,175	3,060	115	4%
Total borrowed funds	52,327	46,105	6,222	13%
Total funding sources	$ 278,631	$ 267,036	$ 11,595	4%

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See the Liquidity Risk Management portion of the Risk Management section of this Financial Review for additional information regarding our 2014 capital and liquidity activities.

The increase in deposits during the first nine months of 2014 was primarily driven by increases in money market and savings deposits, partially offset by lower retail certificates of

deposit. Interest-bearing deposits represented 68% of total deposits at both September 30, 2014 and December 31, 2013. Total borrowed funds increased $6.2 billion since December 31, 2013 as higher Federal Home Loan Bank borrowings and issuances of bank notes and senior debt and subordinated debt were partially offset by a decline in federal funds purchased and repurchase agreements.

Capital

Table 17: Shareholders Equity

Dollars in millions	September 30 2014	December 31 2013	Change $	Change %
Shareholders equity				
Preferred stock (a)				
Common stock	$ 2,703	$ 2,698	$ 5	%
Capital surplus preferred stock	3,945	3,941	4	%
Capital surplus common stock and other	12,573	12,416	157	1%
Retained earnings	25,464	23,251	2,213	10%
Accumulated other comprehensive income	727	436	291	67%
Common stock held in treasury at cost	(931)	(408)	(523)	(128)%
Total shareholders equity	$ 44,481	$ 42,334	$ 2,147	5%

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

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

Total shareholders equity increased $2.1 billion compared with December 31, 2013, primarily reflecting an increase in retained earnings of $2.2 billion (driven by net income of $3.2 billion and the impact of $933 million of common and preferred dividends declared) and an increase of $291 million in accumulated other comprehensive income partially offset by share repurchases of $633 million under PNC s existing common stock repurchase authorization. The increase in accumulated other comprehensive income was primarily due to the impact of market interest rates and credit spreads on securities available for sale and derivatives that are part of cash flow hedging strategies, along with the impact of pension and other postretirement benefit plan adjustments. Common shares outstanding were 528 million at September 30, 2014 and 533 million at December 31, 2013.

Our current common stock repurchase program authorization permits us to purchase up to 25 million shares of PNC common stock on the open market or in privately negotiated transactions. This program will remain in effect until fully utilized or until modified, superseded or terminated. The extent and timing of share repurchases under this program will depend on a number of factors including, among others, market and general economic conditions, economic and regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, contractual and regulatory limitations, and the results of the supervisory

assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve and our primary bank regulators as part of the CCAR process. The Federal Reserve accepted our 2014 capital plan and did not object to our proposed capital actions. The capital plan included share repurchase programs of up to $1.5 billion for the four quarter period beginning in the second quarter of 2014 under PNC s existing common stock repurchase authorization. These programs include repurchases of up to $200 million to mitigate the financial impact of employee benefit plan transactions. Under the capital plan authorization, PNC repurchased 2.6 million common shares for $223 million in the second quarter of 2014 and 4.2 million common shares for $360 million in the third quarter of 2014. Under the de minimis safe harbor of the Federal Reserve s capital plan rule, PNC may make limited repurchases of common stock or other capital distributions in amounts that exceed the amounts included in its most recently approved capital plan, provided that, among other things, such distributions do not exceed, in the aggregate, 1% of PNC s Tier 1 capital and the Federal Reserve does not object to the additional repurchases or distributions. Under this de minimis safe harbor, PNC repurchased $50 million of common shares to mitigate the financial impact of employee benefit plan transactions in the first quarter of 2014. See the Supervision and Regulation section of Item 1 Business of our 2013 Form 10-K for further information concerning the CCAR process and the factors the Federal Reserve takes into consideration in its evaluation of capital plans and the Capital and Liquidity Actions portion of the Executive Summary section of our Financial Review for the impact of the Federal Reserve s current supervisory assessment of the capital adequacy program.

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Table 18: Basel III Capital

	September 30, 2014	
Dollars in millions	Transitional Basel III (a) (c)	Pro forma Fully Phased-In Basel III (b) (c)
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	$ 14,344	$ 14,344
Retained earnings	25,464	25,464
Accumulated other comprehensive income for securities currently and previously held as available for sale	136	681
Accumulated other comprehensive income for pension and other postretirement plans	(36)	(180)
Goodwill, net of associated deferred tax liabilities	(8,834)	(8,834)
Other disallowed intangibles, net of deferred tax liabilities	(80)	(400)
Other adjustments/(deductions)	(28)	(93)
Total common equity Tier 1 capital before threshold deductions	30,966	30,982
Total threshold deductions	(214)	(1,067)
Common equity Tier 1 capital	30,752	29,915
Additional Tier 1 capital		
Preferred stock	3,945	3,945
Trust preferred capital securities	99	
Noncontrolling interests (d)	790	43
Other adjustments/(deductions)	(82)	(96)
Tier 1 capital	35,504	33,807
Additional Tier 2 capital		
Qualifying subordinated debt	5,674	4,872
Trust preferred capital securities	99	
Allowance for loan and lease losses included in Tier 2 capital	3,443	226
Other	2	10
Total Basel III capital	$ 44,722	$ 38,915
Risk-Weighted Assets (e)		
Basel I risk-weighted assets calculated in accordance with transition rules for 2014 (f)	$ 277,348	N/A
Estimated Basel III standardized approach risk-weighted assets (g)	N/A	$ 295,665
Estimated Basel III advanced approaches risk-weighted assets (h)	N/A	289,405
Average quarterly adjusted total assets	319,696	318,471
Basel III capital ratios		
Common equity Tier 1	11.1%	10.1% (i) (k)
Tier 1 risk-based	12.8	11.4 (i) (l)
Total capital risk-based	16.1	13.5 (j) (m)
Leverage (n)	11.1	10.6

(a) Calculated using the regulatory capital methodology applicable to PNC during 2014.
(b) PNC utilizes the pro forma fully phased-in Basel III capital ratios to assess its capital position (without the benefit of phase-ins), including comparison to similar estimates made by other financial institutions.
(c) Basel III capital ratios and estimates may be impacted by additional regulatory guidance or analysis and, in the case of those ratios calculated using the advanced approaches, the ongoing evolution, validation and regulatory approval of PNC s models integral to the calculation of advanced approaches risk-weighted assets.
(d) Includes primarily REIT Preferred Securities.
(e) Calculated as of period end.
(f) Includes credit and market risk-weighted assets.
(g) Estimated based on Basel III standardized approach rules and includes credit and market risk-weighted assets.
(h) Estimated based on Basel III advanced approaches rules and includes credit, market and operational risk-weighted assets.
(i) Pro forma fully phased-in Basel III capital ratio based on estimated Basel III standardized approach risk-weighted assets and rules.
(j) Pro forma fully phased-in Basel III capital ratio based on estimated Basel III advanced approaches risk-weighted assets and rules.
(k) For comparative purposes only, the pro forma fully phased-in advanced approaches Basel III Common equity Tier 1 capital ratio is 10.4%. This capital ratio is calculated using Common equity Tier 1 capital and dividing by estimated Basel III advanced approaches risk-weighted assets.
(l)

For comparative purposes only, the pro forma fully phased-in advanced approaches Basel III Tier 1 risk-based capital ratio is 11.7%. This capital ratio is calculated using Tier 1 capital and dividing by estimated Basel III advanced approaches risk-weighted assets.

(m) For comparative purposes only, the pro forma fully phased-in standardized approach Basel III Total capital risk-based capital ratio is 14.3%. This ratio is calculated using additional Tier 2 capital which, under the standardized approach, reflects allowance for loan and lease losses of up to 1.25% of credit risk related risk-weighted assets and dividing by estimated Basel III standardized approach risk-weighted assets.

(n) Leverage ratio is calculated based on Tier 1 capital divided by Average quarterly adjusted total assets.

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The Basel II framework, which was adopted by the Basel Committee on Banking Supervision in 2004, seeks to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. The U.S. banking agencies initially adopted rules to implement the Basel II capital framework in 2004. In July 2013, the U.S. banking agencies adopted final rules (referred to as the advanced approaches) that modified the Basel II framework effective January 1, 2014. See the Supervision and Regulation section in Item 1 Business and Item 1A Risk Factors of our 2013 Form 10-K. Prior to fully implementing the advanced approaches established by these rules to calculate risk-weighted assets, PNC and PNC Bank, N.A. must successfully complete a parallel run qualification phase. Both PNC and PNC Bank, N.A. entered this parallel run phase on January 1, 2013. This phase must last at least four consecutive quarters, although, consistent with the experience of other U.S. banks, we currently anticipate a multi-year parallel run period. After PNC exits parallel run, its regulatory risk-based capital ratio for each measure (*e.g.*, Common equity Tier 1 ratio) will be the lower of the ratios as calculated under the standardized approach and the advanced approaches.

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

Federal banking regulators have stated that they expect the largest U.S. bank holding companies, including PNC, to have a level of regulatory capital well in excess of the regulatory minimum and have required the largest U.S. bank holding companies, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. We seek to manage our capital consistent with these regulatory principles, and believe that our September 30, 2014 capital levels were aligned with them.

At September 30, 2014, PNC and PNC Bank, N.A., our domestic bank subsidiary, were both considered well capitalized, based on applicable U.S. regulatory capital ratio requirements. To qualify as well capitalized, PNC and PNC Bank, N.A. must have, during 2014, Transitional Basel III capital ratios of at least 6% for Tier 1 risk-based and 10% for Total capital risk-based, and PNC Bank, N.A. must have a Transitional Basel III leverage ratio of at least 5%.

Common equity Tier 1 capital as defined under the Basel III rules adopted by the U.S. banking agencies differs materially from Basel I. For example, under Basel III, significant common stock investments in unconsolidated financial institutions, mortgage servicing rights and deferred tax assets must be deducted from capital to the extent they individually exceed 10%, or in the aggregate exceed 15%, of the institution s adjusted Common equity Tier 1 capital. Also, Basel I regulatory capital excludes accumulated other comprehensive income related to securities currently and previously held as available for sale, as well as pension and other postretirement plans, whereas under Basel III these items are a component of PNC s capital. The Basel III final rules also eliminate the Tier 1 treatment of trust preferred securities for bank holding companies with $15 billion or more in assets. In the third quarter of 2013, we concluded our redemptions of the discounted trust preferred securities previously assumed through acquisitions.

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

We provide additional information regarding regulatory capital requirements and some of their potential impacts on PNC in the Banking Regulation and Supervision section of Item 1 Business, Item 1A Risk Factors and Note 22 Regulatory Matters in the Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

PNC s Basel I ratios as of December 31, 2013, which were PNC s effective regulatory capital ratios as of that date, were 10.5% for Tier 1 common capital ratio, 12.4% for Tier 1 risk-based capital ratio, 15.8% for Total risk-based capital ratio and 11.1% for leverage ratio. Our 2013 Form 10-K included additional information regarding our Basel I capital ratios.

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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 our 2013 Form 10-K and 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 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements,
- Note 10 Capital Securities of a Subsidiary Trust and Perpetual Trust Securities in the Notes To Consolidated Financial Statements, and
- Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements.

PNC consolidates variable interest entities (VIEs) when we are deemed to be the primary beneficiary. The primary beneficiary of a VIE is determined to be the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE.

A summary of VIEs, including those that we have consolidated and those in which we hold variable interests but have not consolidated into our financial statements, as of September 30, 2014 and December 31, 2013 is included in Note 2 of this Report.

Trust Preferred Securities

We are subject to certain restrictions, including restrictions on dividend payments, in connection with $206 million in principal amount of an outstanding junior subordinated debenture associated with $200 million of trust preferred securities that were issued by PNC Capital Trust C, a subsidiary statutory trust (both amounts as of September 30, 2014). Generally, if there is (i) an event of default under the debenture, (ii) PNC elects to defer interest on the debenture, (iii) PNC exercises its right to defer payments on the related trust preferred security issued by the statutory trust or (iv) there is a default under PNC s guarantee of such payment obligations, as specified in the applicable governing documents, then PNC would be subject during the period of such default or deferral to restrictions on dividends and other provisions protecting the status of the debenture holders similar to or in some ways more restrictive than those potentially imposed under the Exchange Agreement with PNC Preferred Funding Trust II. See Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of our 2013 Form 10-K for information on contractual limitations on dividend payments resulting from securities issued by PNC Preferred Funding Trust I and PNC Preferred Funding Trust II.

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FAIR VALUE MEASUREMENTS

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

The following table summarizes the assets and liabilities measured at fair value at September 30, 2014 and December 31, 2013, respectively, and the portions of such assets and liabilities that are classified within Level 3 of the valuation hierarchy.

Table 19: Fair Value Measurements Summary

	September 30, 2014		December 31, 2013	
Dollars in millions	Total Fair Value	Level 3	Total Fair Value	Level 3
Total assets	$ 57,978	$ 10,848	$ 63,221	$ 10,650
Total assets at fair value as a percentage of consolidated assets	17%		20%	
Level 3 assets as a percentage of total assets at fair value		19%		17%
Level 3 assets as a percentage of consolidated assets		3%		3%
Total liabilities	$ 5,187	$ 679	$ 5,585	$ 638
Total liabilities at fair value as a percentage of consolidated liabilities	2%		2%	
Level 3 liabilities as a percentage of total liabilities at fair value		13%		11%
Level 3 liabilities as a percentage of consolidated liabilities		<1%		<1%

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

An instrument s categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. PNC s policy is to recognize transfers in and transfers out as of the end of the reporting period. For additional information regarding the transfers of assets or liabilities between hierarchy levels, see Note 8 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

BUSINESS SEGMENTS REVIEW

We have six reportable business segments:

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

Business segment results, including inter-segment revenues, and a description of each business are included in Note 18 Segment Reporting included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report. Certain amounts included in this Financial Review differ from those amounts shown in Note 18 primarily due to the presentation in this Financial Review of business net interest revenue on a taxable-equivalent basis. Note 18 presents results of businesses for the first nine months and third quarter of 2014 and 2013.

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Retail Banking

(Unaudited)

Table 20: Retail Banking Table

Nine months ended September 30

Dollars in millions, except as noted	2014	2013
Income Statement		
Net interest income	$ 2,938	$ 3,067
Noninterest income		
Service charges on deposits	461	419
Brokerage	176	167
Consumer services	714	679
Other	240	268
Total noninterest income	1,591	1,533
Total revenue	4,529	4,600
Provision for credit losses	223	462
Noninterest expense	3,430	3,438
Pretax earnings	876	700
Income taxes	320	257
Earnings	$ 556	$ 443
Average Balance Sheet		
Loans		
Consumer		
Home equity	$ 28,985	$ 29,203
Indirect auto	9,093	7,434
Indirect other	726	938
Education	7,314	8,005
Credit cards	4,327	4,106
Other	2,200	2,145
Total consumer	52,645	51,831
Commercial and commercial real estate	10,924	11,311
Floor plan	2,227	1,997
Residential mortgage	618	764
Total loans	66,414	65,903
Goodwill and other intangible assets	6,043	6,127
Other assets	2,807	2,590
Total assets	$ 75,264	$ 74,620
Deposits		
Noninterest-bearing demand	$ 21,890	$ 21,096
Interest-bearing demand	33,889	31,647
Money market	49,945	48,628
Total transaction deposits	105,724	101,371
Savings	11,713	10,812
Certificates of deposit	19,314	21,846
Total deposits	136,751	134,029
Other liabilities	440	327
Total liabilities	$ 137,191	$ 134,356
Performance Ratios		
Return on average assets	.99%	.79%
Noninterest income to total revenue	35	33
Efficiency	76	75
Other Information (a)		
Credit-related statistics:		
Commercial nonperforming assets	$ 146	$ 212
Consumer nonperforming assets	1,037	1,074
Total nonperforming assets (b)	$ 1,183	$ 1,286
Purchased impaired loans (c)	$ 600	$ 718
Commercial lending net charge-offs	$ 33	$ 76

Credit card lending net charge-offs	109	119
Consumer lending (excluding credit card) net charge-offs	212	350
Total net charge-offs	$ 354	$ 545
Commercial lending annualized net charge-off ratio	.34%	.76%
Credit card lending annualized net charge-off ratio	3.37%	3.87%
Consumer lending (excluding credit card) annualized net charge-off ratio (d)	.58%	.97%
Total annualized net charge-off ratio (d)	.71%	1.11%
At September 30	2014	2013
Other Information (Continued) (a)		
Home equity portfolio credit statistics: (e)		
% of first lien positions at origination (f)	53%	52%
Weighted-average loan-to-value ratios (LTVs) (f) (g)	78%	83%
Weighted-average updated FICO scores (h)	747	745
Annualized net charge-off ratio (d)	.55%	1.17%
Delinquency data % of total loans: (i)		
Loans 30 59 days past due	.19%	.22%
Loans 60 89 days past due	.07%	.09%
Accruing loans past due	.26%	.32%
Nonperforming loans	3.04%	3.13%
Other statistics:		
ATMs	8,178	7,441
Branches (j)	2,691	2,724
Brokerage account client assets (in billions)	$ 43	$ 40
Customer-related statistics (average):		
Non-teller deposit transactions (k)	34%	23%
Digital consumer customers (l)	45%	37%

(a) Presented as of September 30, except for net charge-offs, net charge-off ratios and customer-related statistics, which are for the nine months ended.
(b) Includes nonperforming loans of $1.1 billion at September 30, 2014 and $1.2 billion at September 30, 2013.
(c) Recorded investment of purchased impaired loans related to acquisitions.
(d) Ratio for the first nine months of 2013 includes additional consumer charge-offs taken as a result of alignment with interagency guidance on practices for loans and lines of credit we implemented in the first quarter of 2013.
(e) Lien position, LTV and FICO statistics are based upon customer balances.
(f) Lien position and LTV calculations reflect management assumptions where data limitations exist.
(g) LTV statistics are based upon current information.
(h) Represents FICO scores that are updated at least quarterly.
(i) Data based upon recorded investment. Past due amounts exclude purchased impaired loans, even if contractually past due, as we are currently accreting interest income over the expected life of the loans.
(j) Excludes satellite offices (e.g., drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(k) Percentage of total consumer and business banking deposit transactions processed at an ATM or through our mobile banking application.
(l) Represents consumer checking relationships that process the majority of their transactions through non-teller channels.

Retail Banking earned $556 million in the first nine months of 2014 compared with earnings of $443 million for the same period a year ago. The increase in earnings was driven by a lower provision for credit losses, increased noninterest income due to strong fee income growth, and lower noninterest expense resulting from disciplined expense management and the impact of branch consolidations in 2013. These increases in earnings were partially offset by lower net interest income driven by interest rate spread compression on the value of deposits, lower yields on loans, and lower purchase accounting accretion.

Retail Banking continues to augment and refine its core checking account products to enhance the customer experience and grow value. In the first nine months of 2014, we completed the conversion of consumer and business banking customers from free checking and we focused on product value for consumers and small businesses and growing customer share of wallet through the sale of liquidity, banking and investment products.

Completed the market rollout of PNC Total Insight SM, an integrated online banking and investing experience for our customers.
Enhanced business banking Cash Flow Insight SM features and customer experience.
Introduced relationship pricing for business banking customers.

Retail Banking also continued to focus on serving more customers through cost effective channels that meet their evolving preferences for convenience.

- In the first nine months of 2014, approximately 45% of consumer customers used non-teller channels for the majority of their transactions compared with 37% for the same period in 2013.
- Deposit transactions via ATM and mobile channels increased to 34% of total deposit transactions in the first nine months of 2014 compared with 23% for the same period a year ago.
- As part of PNC s retail branch transformation strategy we continue to evolve our network. We converted 45 branches to universal branches as of September 30, 2014 in a pilot program; additional branches will be converted in the fourth quarter of 2014 and throughout 2015. In the first nine months of 2014, 43 branches were closed or consolidated.
- Retail Banking s primary geographic footprint extends across 17 states and Washington, D.C. Our retail branch network covers nearly half the U.S. population, with 2,691 branches and 8,178 ATMs.

Total revenue for the first nine months of 2014 was $4.5 billion, $71 million lower than the same period of 2013. Net interest income of $2.9 billion decreased $129 million compared with the same period a year ago. The decrease resulted primarily from interest rate spread compression on the value of deposits due to the continued low rate environment, lower yields on loans and lower purchase accounting accretion on loans and deposits.

Noninterest income increased $58 million compared to the first nine months of 2013. Noninterest income included strong customer-related fee income growth primarily resulting from changes in product offerings and increases in customer-initiated transactions. Noninterest income included gains on sales of Visa Class B common shares of $173 million in the first nine months of 2014 compared to $168 million for the same period a year ago; three million shares were sold in the first nine months of 2014 compared to four million shares in the same period a year ago.

The provision for credit losses was $223 million and net charge-offs were $354 million in the first nine months of 2014 compared with $462 million and $545 million, respectively, for the same period in 2013. The provision for credit losses decrease was due to credit quality improvement. The decrease in the net charge-offs was attributable to the impact of alignment with interagency guidance in the first quarter of 2013 and improved credit quality.

Noninterest expense for the first nine months of 2014 was $8 million lower than the same period in 2013. The decrease was due to disciplined expense management and the impact of branch consolidations in 2013.

Growing core checking deposits is key to Retail Banking s growth and to providing a source of low-cost funding and liquidity to PNC. The deposit product strategy of Retail Banking is to remain disciplined on pricing, target specific

products and markets for growth, and focus on the retention and growth of customer balances. In the first nine months of 2014, average total deposits of $136.8 billion increased $2.7 billion, or 2%, compared with the same period in 2013.

- Average transaction deposits grew $4.4 billion, or 4%, and average savings deposit balances grew $901 million, or 8%, year-over-year as a result of organic deposit growth. In the first nine months of 2014, compared with the same period a year ago, average demand deposits increased $3.0 billion, or 6%, to $55.8 billion and average money market deposits increased $1.3 billion, or 3%, to $50.0 billion.
- Total average certificates of deposit decreased $2.5 billion, or 12%, compared to the same period of 2013. The decline in average certificates of deposit was due to the expected run-off of maturing accounts.

Retail Banking continued to focus on a relationship-based lending strategy that targets specific products and markets for growth, small businesses, and auto dealerships. In the first nine months of 2014, average total loans were $66.4 billion, an increase of $511 million, or 1%, over the same period of 2013.

- Average indirect auto loans increased $1.7 billion, or 22%, compared to the first nine months of 2013. The increase was primarily due to increases in auto sales as well as the expansion of our indirect sales force and product introduction to the Southeast markets.
- Average auto dealer floor plan loans grew $230 million, or 12%, in the first nine months of 2014, compared to the same period a year ago, primarily resulting from sales growth and additional dealer relationships.
- Average credit card balances increased $221 million, or 5%, over the first nine months of 2013 as a result of efforts to increase credit card share of wallet through organic growth.
- Average home equity loans decreased $218 million compared to the first nine months of 2013. The portfolio declined as decreases in lines of credit were partially offset by increases in term loans. Retail Banking s home equity loan portfolio is relationship based, with 97% of the portfolio attributable to borrowers in our primary geographic footprint.
- For the first nine months of 2014, compared to the same period a year ago, average loan balances for the remainder of the portfolio declined a net $1.4 billion, driven by declines in the education portfolio of $691 million and commercial & commercial real estate of

$387 million. The discontinued government guaranteed education loan, indirect other and residential mortgage portfolios are primarily run-off portfolios.

Nonperforming assets totaled $1.2 billion at September 30, 2014, a decrease of $103 million, or 8%, over the same period of 2013, driven by declines in both commercial and consumer non-performing loans.

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Corporate & Institutional Banking

(Unaudited)

Table 21: Corporate & Institutional Banking Table

Nine months ended September 30

Dollars in millions, except as noted	2014	2013
Income Statement		
Net interest income	$ 2,777	$ 2,844
Noninterest income		
Corporate service fees	926	820
Other	329	453
Noninterest income	1,255	1,273
Total revenue	4,032	4,117
Provision for credit losses	86	4
Noninterest expense	1,520	1,474
Pretax earnings	2,426	2,639
Income taxes	884	944
Earnings	$ 1,542	$ 1,695
Average Balance Sheet		
Loans		
Commercial	$ 77,550	$ 71,601
Commercial real estate	20,927	17,240
Equipment lease financing	6,863	6,606
Total commercial lending	105,340	95,447
Consumer	1,116	919
Total loans	106,456	96,366
Goodwill and other intangible assets	3,812	3,792
Loans held for sale	973	1,058
Other assets	9,991	10,936
Total assets	$ 121,232	$ 112,152
Deposits		
Noninterest-bearing demand	$ 43,348	$ 40,850
Money market	20,930	17,355
Other	7,646	6,962
Total deposits	71,924	65,167
Other liabilities	7,454	16,572
Total liabilities	$ 79,378	$ 81,739
Performance Ratios		
Return on average assets	1.70%	2.02%
Noninterest income to total revenue	31	31
Efficiency	38	36
Commercial Mortgage Servicing Portfolio Serviced For PNC and Others (in billions)		
Beginning of period	$ 308	$ 282
Acquisitions/additions	62	57
Repayments/transfers	(48)	(41)
End of period	$ 322	$ 298
Other Information		
Consolidated revenue from: (a)		
Treasury Management (b)	$ 950	$ 951
Capital Markets (c)	$ 547	$ 502
Commercial mortgage loans held for sale (d)	$ 84	$ 96
Commercial mortgage loan servicing income (e)	164	166
Commercial mortgage servicing rights valuation, net of economic hedge (f)	33	73
Total commercial mortgage banking activities	$ 281	$ 335
Average Loans (by C&IB business)		
Corporate Banking	$ 53,530	$ 50,260
Real Estate	27,260	21,597
Business Credit	13,074	11,508

Equipment Finance	10,362	9,961
Other	2,230	3,040
Total average loans	$ 106,456	$ 96,366
Total loans (g)	$ 109,792	$ 99,337
Net carrying amount of commercial mortgage servicing rights (g)	$ 532	$ 541
Credit-related statistics:		
Nonperforming assets (g) (h)	$ 616	$ 949
Purchased impaired loans (g) (i)	$ 316	$ 600
Net charge-offs	$ 10	$ 95

(a) Represents consolidated PNC amounts. See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities in the Product Revenue section of the Corporate & Institutional Banking portion of this Business Segments Review section.
(b) Includes amounts reported in net interest income and corporate service fees.
(c) Includes amounts reported in net interest income, corporate service fees and other noninterest income.
(d) Includes other noninterest income for valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, origination fees, gains on sale of loans held for sale and net interest income on loans held for sale.
(e) Includes net interest income and noninterest income, primarily in corporate services fees, from loan servicing and ancillary services, net of changes in fair value on commercial mortgage servicing rights due to time and payoffs for the first nine months of 2014 and net of commercial mortgage servicing rights amortization for the first nine months of 2013. Commercial mortgage servicing rights valuation, net of economic hedge is shown separately.
(f) Includes amounts reported in corporate services fees.
(g) As of September 30.
(h) Includes nonperforming loans of $.5 billion at September 30, 2014 and $.8 billion at September 30, 2013.
(i) Recorded investment of purchased impaired loans related to acquisitions.

Corporate & Institutional Banking earned $1.5 billion in the first nine months of 2014, a decrease of $153 million compared with the first nine months of 2013. The decrease in earnings was due to narrower spreads on loans and deposits, lower purchase accounting accretion, an increase in the provision for credit losses, and decreases in asset valuations, partially offset by the impact of higher average loans and deposits. We continue to focus on building client relationships in our legacy and new Southeast markets where the risk-return profile is attractive.

Net interest income was $2.8 billion in the first nine months of 2014, a decrease of $67 million from the first nine months of 2013 primarily due to continued spread compression on loans and deposits, lower purchase accounting and the impact from the second quarter 2014 correction to reclassify certain commercial facility usage fees from net interest income to Corporate Service fees, partially offset by the impact of higher average loans and deposits.

Corporate service fees were $926 million in the first nine months of 2014, increasing $106 million compared to the first nine months of 2013. This increase was primarily due to higher merger and acquisition advisory fees and the impact of the second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to corporate service fees, partially offset by a lower commercial mortgage servicing rights valuation, net of economic hedge.

Other noninterest income was $329 million in the first nine months of 2014 compared with $453 million in the first nine months of 2013. The decrease of $124 million was driven by lower revenue associated with credit valuations for customer-related derivatives activities, lower gains on asset sales and lower multifamily loans originated for sale to agencies.

The provision for credit losses was $86 million for the first nine months of 2014 compared with $4 million in the first nine months of 2013 reflecting our continual qualitative assessments of the portfolio given the growth trends over the recent quarters. Net charge-offs were $10 million in the first nine months of 2014, which represents a decrease of $85 million compared with the first nine months of 2013 primarily attributable to a decrease in commercial and commercial real estate charge-offs.

Nonperforming assets were $616 million, a 35% decrease from September 30, 2013 resulting from continued improving credit quality.

Noninterest expense was $1.5 billion in the first nine months of 2014, an increase of $46 million primarily driven by higher incentive compensation costs associated with business activity.

Average loans were $106.5 billion in the first nine months of 2014 compared with $96.4 billion in the first nine months of 2013, an increase of 10% reflecting strong growth in Real Estate, Corporate Banking, and Business Credit:

- Corporate Banking business provides lending, treasury management and capital markets-related products and services to mid-sized and large corporations, government and not-for-profit entities. Average loans for this business increased $3.3 billion, or 7%, in the first nine months of 2014 compared with the first nine months of 2013, primarily due to an increase in loan commitments from specialty lending businesses.
- PNC Real Estate provides commercial real estate and real estate-related lending through both conventional and affordable multifamily financing. Average loans for this business increased $5.7 billion, or 26%, in the first nine months of 2014 compared with the first nine months of 2013 due to increased originations.
- PNC Business Credit provides asset-based lending. The loan portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by short-term assets. Average loans increased $1.6 billion, or 14%, in the first nine months of 2014 compared with the first nine months of 2013 due to increasing deal sizes and higher utilization.
- PNC Equipment Finance provides equipment financing solutions with over $11.5 billion in equipment finance assets as of September 30, 2014. Average equipment finance assets in the first nine months of 2014 were $11.1 billion, an increase of $.5 billion or 5% compared with the first nine months of 2013.

Loan commitments increased 4%, or $8.1 billion, to $204.2 billion at September 30, 2014 compared to $196.1 billion at December 31, 2013, and 8%, or $14.4 billion, compared to $189.8 billion at September 30, 2013, primarily due to growth in our Real Estate, Corporate Banking and Business Credit businesses.

Period-end loan balances increased by 8%, or $8.0 billion, to $109.8 billion at September 30, 2014 compared with $101.8 billion at December 31, 2013 and 11%, or $10.5 billion, compared with $99.3 billion at September 30, 2013.

Average deposits were $71.9 billion in the first nine months of 2014, an increase of $6.8 billion, or 10%, compared with the first nine months of 2013 as a result of business growth and inflows into money market and noninterest-bearing deposits.

The commercial mortgage servicing portfolio was $322 billion at September 30, 2014, an increase of 5% compared with December 31, 2013 and an increase of 8% compared to September 30, 2013 as servicing additions exceeded portfolio run-off.

Product Revenue

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets-related products and services, and commercial mortgage banking activities, for customers of all our business segments. On a consolidated basis, the revenue from these other services is included in net interest income, corporate service fees and other noninterest income. From a segment perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The Other Information section in Table 21 in the Corporate & Institutional Banking portion of this Business Segments Review section includes the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

Treasury management revenue, comprised of fees and net interest income from customer deposit balances, totaled $950 million for the first nine months of 2014 compared with $951 million for the first nine months of 2013. Lower spreads on deposits in the first nine months of 2014 compared with the first nine months of 2013 were offset by an increase in average deposit balances.

Capital markets revenue includes merger and acquisition advisory fees, loan syndications, derivatives, foreign exchange, asset-backed finance revenue and fixed income activities. Revenue from capital markets-related products and services totaled $547 million in the first nine months of 2014 compared with $502 million in the first nine months of 2013. The increase in the comparison was driven by higher merger and acquisition advisory fees and to a lesser extent higher loan syndications and foreign exchange revenue, which was partially offset by lower revenue associated with credit valuations for customer-related derivatives activities and related derivatives sales.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (including net interest income and noninterest income) and revenue derived from commercial mortgage loans held for sale and related hedges. Total commercial mortgage banking activities resulted in revenue of $281 million in the first nine months of 2014 compared with $335 million in the first nine months of 2013. The decrease in the comparison was mainly due to lower net commercial mortgage servicing rights valuations.

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Asset Management Group

(Unaudited)

Table 22: Asset Management Group Table

Nine months ended September 30

Dollars in millions, except as noted	2014	2013
Income Statement		
Net interest income	$ 215	$ 217
Noninterest income	611	554
Total revenue	826	771
Provision for credit losses	2	2
Noninterest expense	610	570
Pretax earnings	214	199
Income taxes	78	73
Earnings	$ 136	$ 126
Average Balance Sheet		
Loans		
Consumer	$ 5,407	$ 4,950
Commercial and commercial real estate	997	1,043
Residential mortgage	794	776
Total loans	7,198	6,769
Goodwill and other intangible assets	264	297
Other assets	225	223
Total assets	$ 7,687	$ 7,289
Deposits		
Noninterest-bearing demand	$ 1,342	$ 1,266
Interest-bearing demand	3,887	3,472
Money market	3,918	3,752
Total transaction deposits	9,147	8,490
CDs/IRAs/savings deposits	448	442
Total deposits	9,595	8,932
Other liabilities	51	60
Total liabilities	$ 9,646	$ 8,992
Performance Ratios		
Return on average assets	2.37%	2.31%
Noninterest income to total revenue	74	72
Efficiency	74	74
Other Information		
Total nonperforming assets (a) (b)	$ 73	$ 68
Purchased impaired loans (a) (c)	$ 89	$ 100
Total net charge-offs	$ 3	$ (2)
Client Assets Under Administration (in billions) (a) (d)		
Personal	$ 113	$ 106
Institutional	146	131
Total	$ 259	$ 237

Nine months ended September 30

Dollars in millions, except as noted	2014	2013
Asset Type		
Equity	$ 147	$ 132
Fixed Income	72	70
Liquidity/Other	40	35

Total	$ 259	$ 237
Discretionary client assets under management		
Personal	$ 85	$ 80
Institutional	47	42
Total	$ 132	$ 122
Asset Type		
Equity	$ 72	$ 65
Fixed Income	40	40
Liquidity/Other	20	17
Total	$ 132	$ 122
Nondiscretionary client assets under administration		
Personal	$ 28	$ 26
Institutional	99	89
Total	$ 127	$ 115
Asset Type		
Equity	$ 75	$ 67
Fixed Income	32	30
Liquidity/Other	20	18
Total	$ 127	$ 115

(a) As of September 30.
(b) Includes nonperforming loans of $67 million at September 30, 2014 and $64 million at September 30, 2013.
(c) Recorded investment of purchased impaired loans related to acquisitions.
(d) Excludes brokerage account client assets.

Asset Management Group earned $136 million through the first nine months of 2014 compared with $126 million for the same period in 2013. Client assets under administration were $259 billion as of September 30, 2014 compared to $237 billion as of September 30, 2013. Earnings increased due to higher noninterest income from higher client assets, partially offset by higher noninterest expense.

The core growth strategies of the business include increasing sales sourced from other PNC lines of business, maximizing front line productivity and optimizing market presence including additions to staff in high opportunity markets. Wealth Management and Hawthorn have over 100 offices operating in 7 out of the 10 most affluent states in the U.S. with a majority co-located with retail banking branches. The businesses strategies primarily focus on growing client assets under management through expanding relationships directly and through other PNC lines of business and increasing the share of our clients investable assets.

Institutional Asset Management provides advisory, custody, and retirement administration services to institutional clients primarily within our banking footprint. The business segment

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also offers PNC proprietary mutual funds. Institutional Asset Management is strengthening its partnership with the Corporate Bank to drive growth and is focused on building retirement capabilities and expanding product solutions for all customers.

Client assets under administration were $259 billion at September 30, 2014, an increase of $22 billion compared to a year ago. Discretionary client assets under management were $132 billion at September 30, 2014 compared with $122 billion at September 30, 2013. The increase was driven by higher equity markets, new sales, and positive net flows of $3.1 billion, after adjustments for cyclical client activities.

Total revenue for the first nine months of 2014 was $826 million compared with $771 million for the same period in 2013, due to stronger average equity markets in the respective periods and positive net flows.

Noninterest expense was $610 million in the first nine months of 2014, an increase of $40 million, or 7%, from the prior year period. The increase was attributable to compensation expense. Over the last 12 months, total full-time headcount has increased by approximately 56 positions, or 2%. Asset Management Group remains focused on disciplined expense management as it invests in strategic growth opportunities.

Average deposits for the first nine months of 2014 increased $663 million, or 7%, over the prior year period. Average transaction deposits grew 8% to $9.1 billion compared with the first nine months of 2013 and were partially offset by the run-off of maturing certificates of deposit. Average loan balances of $7.2 billion increased $.4 billion, or 6%, from the prior year period due to continued growth in the consumer loan portfolio.

Residential Mortgage Banking

(Unaudited)

Table 23: Residential Mortgage Banking Table

Nine months ended September 30 Dollars in millions, except as noted	2014	2013
Income Statement		
Net interest income	$ 115	$ 145
Noninterest income		
Loan servicing revenue		
Servicing fees	170	118
Mortgage servicing rights valuation, net of economic hedge	11	120
Loan sales revenue		
Benefit / (Provision) for residential mortgage repurchase obligations	4	(71)
Loan sales revenue	323	470
Other	(5)	(9)
Total noninterest income	503	628
Total revenue	618	773
Provision for credit losses (benefit)	(1)	24
Noninterest expense	550	602
Pretax earnings	69	147
Income taxes	25	54
Earnings	$ 44	$ 93

Nine months ended September 30 Dollars in millions, except as noted	2014	2013
Average Balance Sheet		
Portfolio loans	$ 1,759	$ 2,429
Loans held for sale	1,130	2,083
Mortgage servicing rights (MSR)	1,036	895
Other assets	3,964	4,763
Total assets	$ 7,889	$ 10,170

Deposits	$ 2,279	$ 3,100
Borrowings and other liabilities	2,819	3,002
Total liabilities	$ 5,098	$ 6,102
Performance Ratios		
Return on average assets	.75%	1.22%
Noninterest income to total revenue	81	81
Efficiency	89	78
Residential Mortgage Servicing Portfolio Serviced for Third Parties (in billions)		
Beginning of period	$ 114	$ 119
Acquisitions	4	8
Additions	7	12
Repayments/transfers	(14)	(24)
End of period	$ 111	$ 115
Servicing portfolio third-party statistics: (a)		
Fixed rate	94%	92%
Adjustable rate/balloon	6%	8%
Weighted-average interest rate	4.49%	4.63%
MSR asset value (in billions)	$ 1.0	$ 1.1
MSR capitalization value (in basis points)	88	90
Weighted-average servicing fee (in basis points)	27	28
Residential Mortgage Repurchase Reserve		
Beginning of period	$ 131	$ 614
(Benefit)/ Provision	(4)	71
Losses loan repurchases	(19)	(214)
End of Period	$ 108	$ 471
Other Information		
Loan origination volume (in billions)	$ 7.1	$ 12.6
Loan sale margin percentage	4.57%	3.72%
Percentage of originations represented by:		
Purchase volume (b)	47%	28%
Refinance volume	53%	72%
Total nonperforming assets (a) (c)	$ 135	$ 205

(a) As of September 30.
(b) Mortgages with borrowers as part of residential real estate purchase transactions.
(c) Includes nonperforming loans of $93 million at September 30, 2014 and $158 million at September 30, 2013.

Residential Mortgage Banking made $44 million in the first nine months of 2014 compared with earnings of $93 million in the first nine months of 2013. Earnings declined from the prior year nine month period primarily as a result of decreased loan sales revenue and lower net hedging gains on residential mortgage servicing rights, partially offset by reduced provision for mortgage repurchase obligations, increased servicing fees and lower noninterest expense.

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

Residential Mortgage Banking overview:

Total loan originations were $7.1 billion for the first nine months of 2014 compared with $12.6 billion in the comparable period of 2013. Loans continue to be originated primarily through direct channels under Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Housing Administration (FHA)/Department of Veterans Affairs agency guidelines. Refinancings were 53% of originations for the first nine months of 2014 and 72% in the first nine months of 2013. During the first nine months of 2014, 22% of loan originations were under the original or revised Home Affordable Refinance Program (HARP or HARP 2).

Investors having purchased mortgage loans may request PNC to indemnify them against losses on certain loans or to repurchase loans that they believe do not comply with applicable contractual loan origination covenants and representations and warranties we have made. At September 30, 2014, the liability for estimated losses on repurchase and indemnification claims for the Residential Mortgage Banking business segment was $108 million compared with $471 million at September 30, 2013. See the Recourse And Repurchase Obligations section of this Financial Review and Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements of this Report for additional information.

Residential mortgage loans serviced for others totaled $111 billion at September 30, 2014 and $115 billion at September 30, 2013 as payoffs continued to outpace new direct loan origination volume and acquisitions.

Noninterest income was $503 million in the first nine months of 2014 compared with $628 million in the first nine months of 2013. Decreased loan sales revenue and net hedging gains on residential mortgage servicing rights were partially offset by increased servicing fees. In addition, a residential mortgage repurchase obligation benefit of $4 million was recorded in the first nine months of 2014 compared with a provision expense of $71 million in the first nine months of 2013.

Provision for credit losses during the first nine months of 2014 was a $1 million benefit, compared with an expense of $24 million in the first nine months of 2013.

Net interest income was $115 million in the first nine months of 2014 compared with $145 million in the first nine months of 2013. The decrease in net interest income was primarily due to the decline in origination volume.

Noninterest expense was $550 million in the first nine months of 2014 compared with $602 million in the first nine months of 2013. Lower origination and servicing costs, as well as lower residential mortgage foreclosure-related costs drove the decline in expenses, partially offset by increased legal accruals.

The fair value of mortgage servicing rights was $1.0 billion at September 30, 2014 and $1.1 billion at September 30, 2013.

BlackRock

(Unaudited)

Table 24: BlackRock Table

Information related to our equity investment in BlackRock follows:

Nine months ended September 30 Dollars in millions	2014	2013
Business segment earnings (a)	$ 399	$ 338
PNC s economic interest in BlackRock (b)	22%	22%

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

In billions	September 30 2014	December 31 2013
Carrying value of PNC s investment in BlackRock (c)	$ 6.2	$ 6.0
Market value of PNC s investment in BlackRock (d)	11.7	11.3

(c) PNC accounts for its investment in BlackRock under the equity method of accounting, exclusive of a related deferred tax liability of $2.1 billion at September 30, 2014 and $2.0 billion at December 31, 2013. Our voting interest in BlackRock common stock was approximately 21% at September 30, 2014.
(d) Does not include liquidity discount.

At September 30, 2014, we held approximately 1.3 million shares of BlackRock Series C Preferred Stock, which are available to fund our obligation in connection with the BlackRock long-term incentive plan (LTIP) programs.

PNC accounts for its BlackRock Series C Preferred Stock at fair value, which offsets the impact of marking-to-market the obligation to deliver these shares to BlackRock. The fair value amount of the BlackRock Series C Preferred Stock is included on our Consolidated Balance Sheet in the caption Other assets. Additional information regarding the valuation of the BlackRock Series C Preferred Stock is included in Note 8 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report and in Note 9 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of our 2013 Form 10-K.

Our 2013 Form 10-K includes additional information about our investment in BlackRock.

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Non-Strategic Assets Portfolio

(Unaudited)

Table 25: Non-Strategic Assets Portfolio Table

Nine months ended September 30

Dollars in millions	2014	2013
Income Statement		
Net interest income	$ 425	$ 528
Noninterest income	22	47
Total revenue	447	575
Provision for credit losses (benefit)	(99)	38
Noninterest expense	86	126
Pretax earnings	460	411
Income taxes	169	151
Earnings	$ 291	$ 260
Average Balance Sheet		
Commercial Lending:		
Commercial/Commercial real estate	$ 190	$ 430
Lease financing	686	689
Total commercial lending	876	1,119
Consumer Lending:		
Home equity	3,477	4,071
Residential real estate	4,952	5,713
Total consumer lending	8,429	9,784
Total portfolio loans	9,305	10,903
Other assets (a)	(742)	(665)
Total assets	$ 8,563	$ 10,238
Deposits and other liabilities	$ 227	$ 235
Total liabilities	$ 227	$ 235
Performance Ratios		
Return on average assets	4.54%	3.40%
Noninterest income to total revenue	5	8
Efficiency	19	22
Other Information		
Nonperforming assets (b) (c)	$ 731	$ 863
Purchased impaired loans (b) (d)	$ 4,147	$ 4,966
Net charge-offs	$ 35	$ 163
Annualized net charge-off ratio	.50%	2.00%
Loans (b)		
Commercial Lending		
Commercial/Commercial real estate	$ 162	$ 270
Lease financing	691	675
Total commercial lending	853	945
Consumer Lending		
Home equity	3,242	3,844
Residential real estate	4,665	5,434
Total consumer lending	7,907	9,278
Total loans	$ 8,760	$ 10,223

(a) Other assets includes deferred taxes, ALLL and other real estate owned (OREO). Other assets were negative in both periods due to the ALLL.

(b) As of September 30.

(c) Includes nonperforming loans of $.6 billion at September 30, 2014 and $.7 billion at September 30, 2013.

(d) Recorded investment of purchased impaired loans related to acquisitions. At September 30, 2014, this segment contained 80% of PNC s purchased impaired loans.

This business segment consists of non-strategic assets primarily obtained through acquisitions of other companies. The business activity of this segment is to manage the wind-down of the portfolios while maximizing the value and mitigating risk.

Non-Strategic Assets Portfolio had earnings of $291 million in the first nine months of 2014 compared with $260 million in the first nine months of 2013. Earnings increased year-over-year due to a benefit from the provision for credit losses compared to provision expense in the prior year period and lower noninterest expense, partially offset by lower net interest income.

Non-Strategic Assets Portfolio overview:

- Net interest income was $425 million in the first nine months of 2014 compared with $528 million in the first nine months of 2013. The decrease was driven by lower purchase accounting accretion and interest earned on a declining average loan portfolio.
- Noninterest income was $22 million in the first nine months of 2014 compared with $47 million in the first nine months of 2013. The decrease was driven by higher estimated losses on home equity loans and lines repurchase obligations.
- The first nine months of 2014 reflected a benefit from the provision for credit losses of $99 million compared to an expense of $38 million in the first nine months of 2013. The decline in provision reflected overall improvement in credit quality. A contributing economic factor was the increasing value of residential real estate that improved expected cash flows on purchased impaired loans.
- Noninterest expense in the first nine months of 2014 was $86 million compared with $126 million in the first nine months of 2013. A smaller portfolio and improving market conditions drove lower commercial OREO expense and lower cost on nonaccrual residential mortgages.
- Average portfolio loans declined to $9.3 billion in the first nine months of 2014 compared with $10.9 billion in the first nine months of 2013. The overall decline was driven by customer payment activity and portfolio management activities to reduce underperforming assets.
- Net charge-offs were $35 million in the first nine months of 2014 and $163 million in the first nine months of 2013.
- At September 30, 2014, the liability for estimated losses on repurchase and indemnification claims for the Non-Strategic Assets Portfolio was $24 million compared to $23 million at September 30, 2013. See Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report for additional information.

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Critical Accounting Estimates and Judgments

Note 1 Accounting Policies in Item 8 of our 2013 Form 10-K and in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report describe the most significant accounting policies that we use to prepare our consolidated financial statements. Certain of these policies require us to make estimates or economic assumptions that may prove inaccurate or be subject to variations that may significantly affect our reported results and financial position for the period or in future periods.

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

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

We discuss the following critical accounting policies and judgments under this same heading in Item 7 of our 2013 Form 10-K:

Fair Value Measurements
Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit
Estimated Cash Flows on Purchased Impaired Loans
Goodwill
Lease Residuals
Revenue Recognition
Residential and Commercial Mortgage Servicing Rights
Income Taxes
Recently Issued Accounting Standards
Recent Accounting Pronouncements

We provide additional information about many of these items in the Notes To Consolidated Financial Statements included in Part I, Item l of this Report.

Recently Issued Accounting Standards

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-04, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* This ASU clarifies that an in substance repossession or

foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon a) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. This guidance is effective as of January 1, 2015. We do not expect this ASU to have a material effect on our results of operations or financial position.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* This ASU limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity s operations and financial results. Additionally, the ASU requires expanded disclosures for discontinued operations and individually significant components of an entity that do not qualify for discontinued operations reporting. This ASU is effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014 and is to be applied prospectively. We do not expect this ASU to have a material effect on our results of operations or financial position.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU clarifies the principles for recognizing revenue and replaces nearly all existing revenue recognition guidance in U.S. GAAP with one model. The core principle of the guidance is that an entity should recognize revenue to depict the satisfaction of a performance obligation by transfer of promised goods or services to customers. The ASU also requires additional qualitative and quantitative disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The requirements within the ASU should be applied retrospectively to each prior period presented (with several practical expedients for certain completed contracts) or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. We are currently evaluating the impact of this ASU on our results of operations and financial position.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures.* This ASU changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The ASU also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (*i.e.*, a repurchase financing), which will result in secured borrowing treatment for the repurchase agreement. The accounting changes within the ASU are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. We do not expect this ASU to have a material impact on our results of operations or financial position.

In June 2014, the FASB issued ASU 2014-12, Compensation Stock Compensation (Topic 718*): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* This ASU clarifies that all reporting entities that grant their employees share-based payments in which the terms of the award provide that the performance target could be achieved after the requisite service period would apply existing guidance that relates to share-based payments with performance conditions that affect vesting. Specifically, compensation cost would be recognized if it is probable that the performance condition would be achieved. This ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. We do not expect this ASU to have a material impact on our results of operations and financial position.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the FASB Emerging Issues Task Force).* This ASU allows a reporting entity that consolidates a collateralized financing entity and accounts for the consolidated financial assets and financial liabilities at fair value to measure those assets and liabilities using the more observable of a) the fair value of its financial assets, or b) the fair value of its financial liabilities. If the reporting entity chooses not to apply this measurement alternative to a consolidated entity that is within the scope of this guidance, any difference between the fair value of the financial assets and the fair value of the financial liabilities of that consolidated collateralized financing entity should be reflected currently in earnings and attributed to the reporting entity in the consolidated income statement. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The reporting entity may apply this ASU under a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the annual period of adoption or through a retrospective approach. Early adoption is permitted as of the beginning of an annual period. We do not expect this ASU to have a material impact on our results of operations and financial position.

In August 2014, the FASB issued ASU 2014-14, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)*. This ASU requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure when a) the loan has a government guarantee that is not separable from the loan before foreclosure; b) the creditor has the intent to convey the real estate to the guarantor and make a claim on the guarantee and the creditor has the ability to recover under that claim at the time of foreclosure; and c) any amount of the claim that is determined upon the basis of the real estate is fixed at the time of foreclosure. The receivable should be measured based on the loan balance (inclusive of principal and interest) that is expected to be recovered from the guarantor. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The ASU may be adopted using either a prospective or modified retrospective transition method consistent with the method elected to adopt ASU 2014-04, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. We do not expect this ASU to have a material impact on our results of operations and financial position.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40): *Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern*. For each annual and interim reporting period, this ASU requires an entity s management to evaluate whether there are known and reasonably known conditions or events, considered in the aggregate, at the date that the financial statements are issued that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about the entity s ability to continue as a going concern, the entity must provide additional disclosures under this ASU, including a statement in the footnotes indicating there is substantial doubt if it is not alleviated after consideration of management s plans to mitigate those events or conditions. The ASU is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. We do not expect this ASU to have a material impact on our results of operations and financial position.

Recently Adopted Accounting Standards

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Part I, Item I of this Report regarding the impact of new accounting standards which we have adopted in 2014.

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Status Of Qualified Defined Benefit Pension Plan

We have a noncontributory, qualified defined benefit pension plan (plan or pension plan) covering eligible employees. Benefits are determined using a cash balance formula where earnings credits are applied as a percentage of eligible compensation. We calculate the expense associated with the pension plan and the assumptions and methods that we use include a policy of reflecting trust assets at their fair market value. On an annual basis, we review the actuarial assumptions related to the pension plan.

We currently estimate pretax pension income of $7 million in 2014 compared with pretax expense of $74 million in 2013. This year-over-year expected decrease reflects the impact of favorable returns on plan assets experienced in 2013, as well as the effects of the higher discount rate required to be used in 2014.

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

Table 26: Pension Expense Sensitivity Analysis

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

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

We provide additional information on our pension plan in Note 15 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of our 2013 Form 10-K.

Recourse And Repurchase Obligations

As discussed in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report, PNC has sold commercial mortgage, residential mortgage and home equity loans/ lines of credit directly or indirectly through securitization and loan sale transactions in which we have continuing involvement. One form of continuing involvement includes certain recourse and loan repurchase obligations associated with the transferred assets.

Commercial Mortgage Loan Recourse Obligations

We originate and service certain multi-family commercial mortgage loans which are sold to FNMA under FNMA s Delegated Underwriting and Servicing (DUS) program. We

participated in a similar program with the FHLMC. Our exposure and activity associated with these recourse obligations are reported in the Corporate & Institutional Banking segment. For more information regarding our Commercial Mortgage Loan Recourse Obligations, see the Recourse and Repurchase Obligations section of Note 17 Commitments and Guarantees included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Residential Mortgage Repurchase Obligations

While residential mortgage loans are sold on a non-recourse basis, we assume certain loan repurchase obligations associated with mortgage loans we have sold to investors. These loan repurchase obligations primarily relate to situations where PNC is alleged to have breached certain origination covenants and representations and warranties made to purchasers of the loans in the respective purchase and sale agreements. Residential mortgage loans covered by these loan repurchase obligations include first and second-lien mortgage loans we have sold through Agency securitizations, Non-Agency securitizations, and loan sale transactions. As discussed in Note 2 in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report, Agency securitizations consist of mortgage loan sale transactions with FNMA, FHLMC and the Government National Mortgage Association (GNMA), while Non-Agency securitizations consist of mortgage loan sale transactions with private investors. Mortgage loan sale transactions that are not part of a securitization may involve FNMA, FHLMC or private investors. Our historical exposure and activity associated with Agency securitization repurchase obligations has primarily been related to transactions with FNMA and FHLMC, as indemnification and repurchase losses associated with FHA and VA-insured and uninsured loans pooled in GNMA securitizations historically have been minimal. In addition to indemnification and repurchase risk, we face other risks of loss with respect to our participation in these programs, some of which are described in Note 23 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 in our 2013 Form 10-K with respect to governmental inquiries related to FHA-insured loans. Repurchase obligation activity associated with residential mortgages is reported in the Residential Mortgage Banking segment.

Origination and sale of residential mortgages is an ongoing business activity and, accordingly, management continually assesses the need to recognize indemnification and repurchase liabilities pursuant to the associated investor sale agreements. We establish indemnification and repurchase liabilities for estimated losses on sold first and second-lien mortgages for which indemnification is expected to be provided or for loans that are expected to be repurchased. For the first and second-lien mortgage sold portfolio, we have established an indemnification and repurchase liability pursuant to investor

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sale agreements based on claims made and our estimate of future claims on a loan by loan basis. To estimate the mortgage repurchase liability arising from breaches of representations and warranties, we consider the following factors: (i) borrower performance in our historically sold portfolio (both actual and estimated future defaults); (ii) the level of outstanding unresolved repurchase claims; (iii) estimated probable future repurchase claims, considering information about file requests, delinquent and liquidated loans, resolved and unresolved mortgage insurance rescission notices and our historical experience with claim rescissions; (iv) the potential ability to cure the defects identified in the repurchase claims (rescission rate) and (v) the estimated severity of loss upon repurchase of the loan or collateral, make-whole settlement or indemnification.

For more information see the Recourse and Repurchase Obligations section included in Item 7 of our 2013 Form 10-K and Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

The following tables present the unpaid principal balance of repurchase claims by vintage and total unresolved repurchase claims for the quarter ended and as of September 30, 2014, respectively, compared to the quarter ended and as of December 31, 2013. These comparisons reflect the impact of settlement agreements reached late in the fourth quarter of 2013.

Table 27: Analysis of Quarterly Residential Mortgage Repurchase Claims by Vintage

Three months ended Dollars in millions	September 30 2014	December 31 2013
2004 & Prior	$ 4	$ 66
2005	3	88
2006	5	27
2007	2	35
2008		9
Subtotal 2008 & Prior	14	225
2009 2014	25	19
Total	$ 39	$ 244
FNMA, FHLMC and GNMA %	83%	96%

Table 28: Analysis of Residential Mortgage Unresolved Asserted Indemnification and Repurchase Claims

Dollars in millions	September 30 2014	December 31 2013
FNMA, FHLMC and GNMA Securitizations	$ 16	$ 13
Private Investors (a)	30	22
Total unresolved claims	$ 46	$ 35
FNMA, FHLMC and GNMA %	35%	37%

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

The table below details our indemnification and repurchase claim settlement activity during the first nine months and the third quarter of 2014 and 2013.

Table 29: Analysis of Residential Mortgage Indemnification and Repurchase Claim Settlement Activity

Nine months ended September 30 In millions	2014	2013

	Unpaid Principal Balance (a)	Losses Incurred (b)	Fair Value of Repurchased Loans (c)	Unpaid Principal Balance (a)	Losses Incurred (b)	Fair Value of Repurchased Loans (c)
Residential mortgages (d):						
FNMA, FHLMC and GNMA securitizations	$ 34	$ 14	$ 10	$ 338	$ 190	$ 83
Private investors (e)	7	5	1	36	24	5
Total indemnification and repurchase settlements	$ 41	$ 19	$ 11	$ 374	$ 214	$ 88

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Three months ended September 30 In millions	2014 Unpaid Principal Balance (a)	2014 Losses Incurred (b)	2014 Fair Value of Repurchased Loans (c)	2013 Unpaid Principal Balance (a)	2013 Losses Incurred (b)	2013 Fair Value of Repurchased Loans (c)
Residential mortgages (d):						
FNMA, FHLMC, and GNMA securitizations	$ 11	$ 4	$ 3	$ 74	$ 37	$ 16
Private investors (e)	2	1		13	9	2
Total indemnification and repurchase settlements	$ 13	$ 5	$ 3	$ 87	$ 46	$ 18

(a) Represents unpaid principal balance of loans at the indemnification or repurchase date. Excluded from these balances are amounts associated with pooled settlement payments as loans are typically not repurchased in these transactions.
(b) Represents both i) amounts paid for indemnification/settlement payments and ii) the difference between loan repurchase price and fair value of the loan at the repurchase date. These losses are charged to the indemnification and repurchase liability.
(c) Represents fair value of loans repurchased only as we have no exposure to changes in the fair value of loans or underlying collateral when indemnification/settlement payments are made to investors.
(d) Repurchase activity associated with insured loans, government-guaranteed loans and loans repurchased through the exercise of our removal of account provision (ROAP) option are excluded from this table. Refer to Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further discussion of ROAPs.
(e) Activity relates to loans sold through Non-Agency securitizations and loan sale transactions.

Residential mortgages that we service through FNMA, FHLMC and GNMA securitizations, and for which we could experience a loss if required to repurchase a delinquent loan due to a breach in representations or warranties, were $49 billion at September 30, 2014, of which $252 million was 90 days or more delinquent. These amounts were $48 billion and $253 million, respectively, at December 31, 2013.

In the fourth quarter of 2013, PNC reached agreements with both FNMA and FHLMC to resolve their repurchase claims with respect to loans sold between 2000 and 2008. PNC paid a total of $191 million related to these settlements. The volume of new repurchase demand claims dropped significantly in the first nine months of 2014 compared to the same period in 2013 as a result of the settlement agreements in the fourth quarter of 2013. Additionally, the liability for estimated losses on indemnification and repurchase claims for residential mortgages decreased to $108 million at September 30, 2014 from $131 million at December 31, 2013.

We believe our indemnification and repurchase liability appropriately reflects the estimated probable losses on indemnification and repurchase claims for all residential mortgage loans sold and outstanding as of September 30, 2014 and December 31, 2013. In making these estimates, we consider the losses that we expect to incur over the life of the sold loans. See Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

Home Equity Repurchase Obligations

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

For more information regarding our Home Equity Repurchase Obligations, see the Recourse and Repurchase Obligations section under Item 7 of our 2013 Form 10-K and Note 17 Commitments and Guarantees included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

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RISK MANAGEMENT

PNC encounters risk as part of the normal course of operating our business. Accordingly, we design risk management processes to help manage these risks.

The Risk Management section included in Item 7 of our 2013 Form 10-K describes our enterprise risk management framework including risk appetite and strategy, risk culture, risk organization and governance, risk identification and quantification, risk control and limits, and risk monitoring and reporting. Additionally, our 2013 Form 10-K provides an analysis of our key areas of risk, which include but are not limited to credit, operational, model, liquidity and market. Our use of financial derivatives as part of our overall asset and liability risk management process is also addressed within the Risk Management section.

The following information updates our 2013 Form 10-K risk management disclosures.

Credit Risk Management

Credit risk represents the possibility that a customer, counterparty or issuer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks. Our processes for managing credit risk are embedded in PNC s risk culture and in our decision-making processes using a systematic approach whereby credit risks and related exposures are: identified and assessed, managed through specific policies and processes, measured and evaluated against our risk tolerance and credit concentration limits, and reported, along with specific mitigation activities, to management and the Board through our governance structure.

Asset Quality Overview

Asset quality for the first nine months of 2014 improved from both December 31, 2013 and September 30, 2013.

- Nonperforming assets at September 30, 2014 decreased $482 million compared with December 31, 2013 as a result of improvements in both consumer and commercial nonperforming loans. Consumer lending nonperforming loans decreased $214 million, commercial nonperforming loans declined $137 million and commercial real estate nonperforming loans decreased $123 million. Nonperforming assets were 0.89% of total assets at September 30, 2014 compared with 1.08% at December 31, 2013.
- Overall loan delinquencies of $2.0 billion decreased $.5 billion, or 19%, from year-end 2013 levels. The reduction was due in large part to a reduction in accruing government insured residential real estate loans past due 90 days or more of $240 million, the majority of which we took possession of and conveyed the real estate, or are in the process of conveyance and claim resolution.
- Net charge-offs for the third quarter of 2014 were $82 million, down 63% from third quarter 2013 net charge-offs of $224 million primarily due to improving credit quality. For the nine months ended September 30, 2014, net charge-offs were $413 million, down from $888 million for the nine months ending September 30, 2013, which included $134 million of charge-offs due to the impact of alignment with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013.
- Provision for credit losses decreased to $55 million in the third quarter of 2014 compared with $137 million for the third quarter of 2013. Provision for credit losses for the nine months ending September 30, 2014 declined to $221 million compared with $530 million for the nine months ending September 30, 2013. The decreases in provision reflected improved overall credit quality, including lower consumer loan delinquencies. A contributing economic factor in the nine month comparison was the increasing value of residential real estate, which improved expected cash flows from our purchased impaired loans.
- The level of ALLL decreased to $3.4 billion at September 30, 2014 from $3.6 billion at December 31, 2013.

Nonperforming Assets and Loan Delinquencies

Nonperforming Assets, including OREO and Foreclosed Assets

Nonperforming assets include loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming troubled debt restructurings (TDRs), OREO and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans, purchased impaired loans and loans accounted for under the fair value option are excluded from nonperforming loans. Additional information regarding our nonperforming loans and nonaccrual policies is included in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report. The major categories of nonperforming assets are presented in Table 30.

In the first quarter of 2013, we completed our alignment of certain nonaccrual and charge-off policies consistent with interagency supervisory guidance on practices for loans and lines of credit related to consumer lending. This alignment primarily related to (i) subordinate consumer loans (home equity loans and lines of credit and residential mortgages) where the first-lien loan was 90 days or more past due, (ii) government guaranteed loans where the guarantee may not

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result in collection of substantially all contractual principal and interest and (iii) certain loans with borrowers in or discharged from bankruptcy. In the first quarter of 2013, nonperforming loans increased by $426 million and net charge-offs increased by $134 million as a result of completing the alignment of the aforementioned policies. Additionally, overall delinquencies decreased $395 million due to loans now being reported as either nonperforming or, in the case of loans accounted for under the fair value option, nonaccruing or having been charged off. Certain consumer nonperforming loans were charged-off to the respective collateral value less costs to sell, and any associated allowance at the time of charge-off was reduced to zero. Therefore, the charge-off activity resulted in a reduction to the allowance. As the interagency guidance was adopted, incremental provision for credit losses was recorded if the related loan charge-off exceeded the associated allowance. Subsequent declines in collateral value for these loans will result in additional charge-offs to maintain recorded investment at collateral value less costs to sell.

At September 30, 2014, TDRs included in nonperforming loans were $1.3 billion, or 50%, of total nonperforming loans

compared to $1.5 billion, or 49%, of total nonperforming loans as of December 31, 2013. Within consumer nonperforming loans, residential real estate TDRs comprise 59% of total residential real estate nonperforming loans at September 30, 2014, and December 31, 2013. Home equity TDRs comprise 49% of home equity nonperforming loans at September 30, 2014, down from 54% at December 31, 2013. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status.

At September 30, 2014, our largest nonperforming asset was $36 million in the Real Estate, Rental and Leasing Industry and our average nonperforming loans associated with commercial lending were under $1 million. All of the ten largest outstanding nonperforming assets are from the commercial lending portfolio and represent 19% and 5% of total commercial lending nonperforming loans and total nonperforming assets, respectively, as of September 30, 2014.

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Table 30: Nonperforming Assets By Type

Dollars in millions	September 30 2014	December 31 2013
Nonperforming loans		
Commercial lending		
Commercial		
Retail/wholesale trade	$ 62	$ 57
Manufacturing	44	58
Service providers	82	108
Real estate related (a)	76	124
Financial services	5	7
Health care	23	19
Other industries	28	84
Total commercial	320	457
Commercial real estate		
Real estate projects (b)	346	436
Commercial mortgage	49	82
Total commercial real estate	395	518
Equipment lease financing	3	5
Total commercial lending	718	980
Consumer lending (c)		
Home equity	1,090	1,139
Residential real estate		
Residential mortgage	725	890
Residential construction	18	14
Credit card	3	4
Other consumer	58	61
Total consumer lending	1,894	2,108
Total nonperforming loans (d)	2,612	3,088
OREO and foreclosed assets		
Other real estate owned (OREO) (e)	353	360
Foreclosed and other assets	10	9
Total OREO and foreclosed assets	363	369
Total nonperforming assets	$ 2,975	$ 3,457
Amount of commercial lending nonperforming loans contractually current as to remaining principal and interest	$ 224	$ 266
Percentage of total commercial lending nonperforming loans	31%	27%
Amount of TDRs included in nonperforming loans	$ 1,303	$ 1,511
Percentage of total nonperforming loans	50%	49%
Nonperforming loans to total loans	1.30%	1.58%
Nonperforming assets to total loans, OREO and foreclosed assets	1.48	1.76
Nonperforming assets to total assets	0.89	1.08
Allowance for loan and lease losses to total nonperforming loans (f)	130	117

(a) Includes loans related to customers in the real estate and construction industries.
(b) Includes both construction loans and intermediate financing for projects.
(c) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(d) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.
(e) OREO excludes $214 million and $245 million at September 30, 2014 and December 31, 2013, respectively, related to commercial and residential real estate that was acquired by us upon foreclosure of serviced loans because they are insured by the FHA or guaranteed by the VA or guaranteed by the Department of Housing and Urban Development.
(f) The allowance for loan and lease losses includes impairment reserves attributable to purchased impaired loans. See Note 1 Accounting Policies and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

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Table 31: OREO and Foreclosed Assets

In millions	September 30 2014	December 31 2013
Other real estate owned (OREO):		
Residential properties	$ 185	$ 164
Residential development properties	53	74
Commercial properties	115	122
Total OREO	353	360
Foreclosed and other assets	10	9
Total OREO and foreclosed assets	$ 363	$ 369

Total OREO and foreclosed assets decreased $6 million during the first nine months of 2014 from $369 million at December 31, 2013 to $363 million at September 30, 2014 and is 12% of total nonperforming assets at September 30, 2014. As of September 30, 2014 and December 31, 2013, 66% and 64%, respectively, of our OREO and foreclosed assets were comprised of residential related properties.

Table 32: Change in Nonperforming Assets

In millions	2014	2013
January 1	$ 3,457	$ 3,794
New nonperforming assets (a)	1,657	2,629
Charge-offs and valuation adjustments (b)	(427)	(779)
Principal activity, including paydowns and payoffs	(818)	(875)
Asset sales and transfers to loans held for sale	(440)	(377)
Returned to performing status	(454)	(770)
September 30	$ 2,975	$ 3,622

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

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

The table above presents nonperforming asset activity during the first nine months of 2014 and 2013, respectively. Nonperforming assets decreased $482 million from $3.5 billion at December 31, 2013, as a result of improvements in both consumer and commercial lending. Consumer lending nonperforming loans decreased $214 million, commercial nonperforming loans declined $137 million and commercial real estate nonperforming loans decreased $123 million. As of September 30, 2014, approximately 89% of total nonperforming loans were secured by collateral which is expected to reduce credit losses and require less reserve in the event of default. As of September 30, 2014, 31% of commercial lending nonperforming loans are contractually current as to both principal and interest obligations. As of September 30, 2014, commercial lending nonperforming loans were carried at approximately 66% of their unpaid principal balance, due to charge-offs recorded to date, before consideration of the ALLL. See Note 4 Asset Quality in the

Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information on these loans.

Purchased impaired loans are considered performing, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we are currently accreting interest income over the expected life of the loans. The accretable yield represents the excess of the expected cash flows on the loans at the measurement date over the carrying value. Generally decreases, other than interest rate decreases for variable rate notes, in the net present value of expected cash flows of individual commercial or pooled purchased impaired loans would result in an impairment charge to the provision for loan losses in the period in which the change is deemed probable. Generally increases in the net present value of purchased impaired loan expected cash flows would first result in a recovery of previously recorded allowance for loan losses, to the extent applicable, and then an increase to accretable yield for the remaining life of the purchased impaired loans. Total nonperforming loans and assets in the tables above are significantly lower than they would have been due to this accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of nonperforming loans to total loans and a higher ratio of ALLL to nonperforming loans. See Note 5 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information on these loans.

Loan Delinquencies

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

Total early stage loan delinquencies (accruing loans past due 30 to 89 days) decreased from $1.0 billion at December 31, 2013 to $0.8 billion at September 30, 2014. The reduction in both consumer and commercial lending early stage delinquencies resulted from improving credit quality. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements of this Report for additional information regarding our nonperforming loan and nonaccrual policies.

Accruing loans past due 90 days or more are referred to as late stage delinquencies. These loans are not included in nonperforming loans and continue to accrue interest because they are well secured by collateral, and/or are in the process of collection, are managed in homogenous portfolios with specified charge-off timeframes adhering to regulatory

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guidelines, or are certain government insured or guaranteed loans. These loans decreased $.3 billion, or 21%, from $1.5 billion at December 31, 2013, to $1.2 billion at September 30, 2014, mainly due to a decline in government insured residential real estate loans of $.2 billion, the majority of which we took possession of and conveyed the real estate, or are in the process of conveyance and claim resolution. The following tables display the delinquency status of our loans at September 30, 2014 and December 31, 2013. Additional information regarding accruing loans past due is included in Note 4 Asset Quality in the Notes To Consolidated Financial Statements of this Report.

Table 33: Accruing Loans Past Due 30 To 59 Days (a)

	Amount		Percentage of Total Outstandings	
Dollars in millions	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Commercial	$ 46	$ 81	.05%	.09%
Commercial real estate	47	54	.20	.25
Equipment lease financing	4	31	.05	.41
Home equity	67	86	.19	.24
Residential real estate				
Non government insured	87	112	.61	.74
Government insured	76	105	.53	.70
Credit card	27	29	.61	.66
Other consumer				
Non government insured	56	62	.24	.28
Government insured	164	154	.71	.68
Total	$ 574	$ 714	.29	.37

(a) Amounts in table represent recorded investment.

Table 34: Accruing Loans Past Due 60 To 89 Days (a)

	Amount		Percentage of Total Outstandings	
Dollars in millions	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Commercial	$ 19	$ 20	.02%	.02%
Commercial real estate	6	11	.03	.05
Equipment lease financing	1	2	.01	.03
Home equity	25	34	.07	.09
Residential real estate				
Non government insured	24	30	.17	.20
Government insured	41	57	.29	.38
Credit card	18	19	.41	.43
Other consumer				
Non government insured	20	18	.09	.08
Government insured	100	94	.44	.42
Total	$ 254	$ 285	.13	.15

(a) Amounts in table represent recorded investment.

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Table 35: Accruing Loans Past Due 90 Days Or More (a)

	Amount		Percentage of Total Outstandings	
Dollars in millions	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Commercial	$ 39	$ 42	.04%	.05%
Commercial real estate	1	2	.00	.01
Residential real estate				
Non government insured	24	35	.17	.23
Government insured	785	1,025	5.47	6.80
Credit card	29	34	.65	.77
Other consumer				
Non government insured	13	14	.06	.06
Government insured	287	339	1.25	1.50
Total	$ 1,178	$ 1,491	.59	.76

(a) Amounts in table represent recorded investment.

On a regular basis our Special Asset Committee closely monitors loans, primarily commercial loans, that are not included in the nonperforming or accruing past due categories and for which we are uncertain about the borrower s ability to comply with existing repayment terms. These loans totaled $.2 billion at both September 30, 2014 and December 31, 2013.

Home Equity Loan Portfolio

Our home equity loan portfolio totaled $35.1 billion as of September 30, 2014, or 17% of the total loan portfolio. Of that total, $20.7 billion, or 59%, was outstanding under primarily variable-rate home equity lines of credit and $14.4 billion, or 41%, consisted of closed-end home equity installment loans. Approximately 3% of the home equity portfolio was on nonperforming status as of September 30, 2014.

As of September 30, 2014, we are in an originated first lien position for approximately 50% of the total portfolio and, where originated as a second lien, we currently hold or service the first lien position for approximately an additional 2% of the portfolio. The remaining 48% of the portfolio was secured by second liens where we do not hold the first lien position. The credit performance of the majority of the home equity portfolio where we are in, hold or service the first lien position, is superior to the portion of the portfolio where we hold the second lien position but do not hold the first lien.

Lien position information is generally based upon original LTV at the time of origination. However, after origination PNC is not typically notified when a senior lien position that is not held by PNC is satisfied. Therefore, information about the current lien status of junior lien loans is less readily available in cases where PNC does not also hold the senior lien. Additionally, PNC is not typically notified when a junior lien position is added after origination of a PNC first lien. This updated information for both junior and senior liens must be

obtained from external sources, and therefore, PNC has contracted with an industry leading third-party service provider to obtain updated loan, lien and collateral data that is aggregated from public and private sources.

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

In establishing our ALLL for non-impaired loans, we primarily utilize a delinquency roll-rate methodology for pools of loans. In accordance with accounting principles, under this methodology, we establish our allowance based upon incurred losses, not lifetime expected losses. The roll-rate methodology estimates transition/roll of loan balances from one delinquency state (*e.g.*, 30-59 days past due) to another delinquency state (*e.g.*, 60-89 days past due) and ultimately to charge-off. The roll through to charge-off is based on PNC s actual loss experience for each type of pool. Each of our home equity pools contains both first and second liens. Our experience has been that the ratio of first to second lien loans has been consistent over time and the charge-off amounts for the pools, used to establish our allowance, include losses on both first and second liens loans.

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Generally, our variable-rate home equity lines of credit have either a seven or ten year draw period, followed by a 20-year amortization term. During the draw period, we have home equity lines of credit where borrowers pay either interest or principal and interest. We view home equity lines of credit where borrowers are paying principal and interest under the draw period as less risky than those where the borrowers are paying interest only, as these borrowers have a demonstrated ability to make some level of principal and interest payments. The risk associated with the borrower s ability to satisfy the loan terms upon the draw period ending is considered in establishing our ALLL. Based upon outstanding balances at September 30, 2014, the following table presents the periods when home equity lines of credit draw periods are scheduled to end.

Table 36: Home Equity Lines of Credit Draw Period End Dates

In millions	Interest Only Product	Principal and Interest Product
Remainder of 2014	$ 408	$ 97
2015	1,678	580
2016	1,399	448
2017	2,511	614
2018	1,102	832
2019 and thereafter	3,883	5,161
Total (a) (b)	$ 10,981	$ 7,732

(a) Includes all home equity lines of credit that mature in the remainder of 2014 or later, including those with borrowers where we have terminated borrowing privileges.

(b) Includes approximately $37 million, $178 million, $49 million, $59 million, $43 million and $564 million of home equity lines of credit with balloon payments, including those where we have terminated borrowing privileges, with draw periods scheduled to end in the remainder of 2014, 2015, 2016, 2017, 2018 and 2019 and thereafter, respectively.

Based upon outstanding balances, and excluding purchased impaired loans, at September 30, 2014, for home equity lines of credit for which the borrower can no longer draw (*e.g.*, draw period has ended or borrowing privileges have been terminated), approximately 3% were 30-89 days past due and approximately 5% were 90 days or more past due. Generally, when a borrower becomes 60 days past due, we terminate borrowing privileges and those privileges are not subsequently reinstated. At that point, we continue our collection/recovery processes, which may include loan modification resulting in a loan that is classified as a TDR.

See Note 4 Asset Quality in the Notes To Consolidated Financial Statements of this Report for additional information.

Loan Modifications and Troubled Debt Restructurings

Consumer Loan Modifications

We modify loans under government and PNC-developed programs based upon our commitment to help eligible homeowners and borrowers avoid foreclosure, where appropriate. Initially, a borrower is evaluated for a modification under a government program. If a borrower does not qualify under a government program, the borrower is then evaluated under a PNC program. Our programs utilize both temporary and permanent modifications and typically reduce the interest rate, extend the term and/or defer principal. Temporary and permanent modifications under programs involving a change to loan terms are generally classified as TDRs. Further, certain payment plans and trial payment arrangements which do not include a contractual change to loan terms may be classified as TDRs. Additional detail on TDRs is discussed below as well as in Note 4 Asset Quality in the Notes To Consolidated Financial Statements of this Report.

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

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

We also monitor the success rates and delinquency status of our loan modification programs to assess their effectiveness in serving our customers needs while mitigating credit losses. Table 37 provides the number of accounts and unpaid principal balance of modified consumer real estate related loans and Table 38 provides the number of accounts and unpaid principal balance of modified loans that were 60 days or more past due as of six months, nine months, twelve months and fifteen months after the modification date.

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Table 37: Consumer Real Estate Related Loan Modifications

	September 30, 2014		December 31, 2013	
Dollars in millions	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance
Home equity				
Temporary Modifications	5,639	$ 440	6,683	$ 539
Permanent Modifications	13,030	972	11,717	889
Total home equity	18,669	1,412	18,400	1,428
Residential Mortgages				
Permanent Modifications	5,942	1,137	7,397	1,445
Non-Prime Mortgages				
Permanent Modifications	4,351	613	4,400	621
Residential Construction				
Permanent Modifications	2,291	651	2,260	763
Total Consumer Real Estate Related Loan Modifications	31,253	$ 3,813	32,457	$ 4,257

Table 38: Consumer Real Estate Related Loan Modifications Re-Default by Vintage (a) (b)

September 30, 2014	Six Months		Nine Months		Twelve Months		Fifteen Months		
Dollars in thousands	Number of Accounts Re-defaulted	% of Vintage Re-defaulted	Number of Accounts Re-defaulted	% of Vintage Re-defaulted	Number of Accounts Re-defaulted	% of Vintage Re-defaulted	Number of Accounts Re-defaulted	% of Vintage Re-defaulted	Unpaid Principal Balance (c)
Permanent Modifications									
Home Equity									
First Quarter 2014	18	2.6%							$ 1,150
Fourth Quarter 2013	29	2.5	47	4.0%					3,623
Third Quarter 2013	30	2.5	44	3.7	60	5.1%			6,132
Second Quarter 2013	25	2.0	44	3.6	64	5.2	88	7.1%	8,075
First Quarter 2013	34	2.8	44	3.6	54	4.4	59	4.8	6,710
Residential Mortgages									
First Quarter 2014	51	6.3							7,730
Fourth Quarter 2013	86	9.7	122	13.7					18,061
Third Quarter 2013	100	9.2	153	14.0	218	20.0			34,882
Second Quarter 2013	138	16.5	164	19.6	188	22.5	228	27.3	40,466
First Quarter 2013	131	16.4	186	23.2	199	24.8	210	26.2	40,309
Non-Prime Mortgages									
First Quarter 2014	29	16.7							4,386
Fourth Quarter 2013	20	10.9	37	20.1					5,222
Third Quarter 2013	25	14.7	28	16.5	40	23.5			5,427
Second Quarter 2013	24	18.3	38	29.0	44	33.6	46	35.1	9,023
First Quarter 2013	12	14.8	12	14.8	16	19.8	19	23.5	3,043
Residential Construction									
First Quarter 2014	3	2.1							363
Fourth Quarter 2013	1	0.7	4	2.8					2,382
Third Quarter 2013	1	0.7	1	0.7	2	1.4			126
Second Quarter 2013	1	0.5	3	1.6	5	2.7	7	3.7	1,186
First Quarter 2013	2	1.2	4	2.4	4	2.4	7	4.2	2,153

(continued on following page)

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September 30, 2014 Dollars in thousands	Six Months Number of Accounts Re-defaulted	 % of Vintage Re-defaulted	Nine Months Number of Accounts Re-defaulted	 % of Vintage Re-defaulted	Twelve Months Number of Accounts Re-defaulted	 % of Vintage Re-defaulted	Fifteen Months Number of Accounts Re-defaulted	 % of Vintage Re-defaulted	Unpaid Principal Balance (c)
Temporary Modifications									
Home Equity									
First Quarter 2014	4	20.0%							$ 290
Fourth Quarter 2013	10	19.2	12	23.1%					1,451
Third Quarter 2013	4	9.8	9	22.0	11	26.8%			1,018
Second Quarter 2013	11	14.9	17	23.0	17	23.0	17	23.0%	1,951
First Quarter 2013	2	2.5	8	10.0	9	11.3	11	13.8	760

(a) An account is considered in re-default if it is 60 days or more delinquent after modification. The data in this table represents loan modifications completed during the quarters ending March 31, 2013 through March 31, 2014 and represents a vintage look at all quarterly accounts and the number of those modified accounts (for each quarterly vintage) 60 days or more delinquent at six, nine, twelve, and fifteen months after modification. Account totals include active and inactive accounts that were delinquent when they achieved inactive status. Accounts that are no longer 60 days or more delinquent, or were re-modified since prior period, are removed from re-default status in the period they are cured or re-modified.

(b) Vintage refers to the quarter in which the modification occurred.

(c) Reflects September 30, 2014 unpaid principal balances of the re-defaulted accounts for the First Quarter 2014 Vintage at Six Months, for the Fourth Quarter 2013 Vintage at Nine Months, for the Third Quarter 2013 Vintage at Twelve Months, and for the Second Quarter 2013 and prior Vintages at Fifteen Months.

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

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

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

Residential conforming and certain residential construction loans have been permanently modified under HAMP or, if they do not qualify for a HAMP modification, under PNC-developed programs, which in some cases may operate similarly to HAMP. These programs first require a reduction of the interest rate followed by an extension of term and, if appropriate, deferral of principal payments. As of

September 30, 2014 and December 31, 2013, 6,123 accounts with a balance of $.9 billion and 5,834 accounts with a balance of $.9 billion, respectively, of residential real estate loans had been modified under HAMP and were still outstanding on our balance sheet.

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

Commercial Loan Modifications and Payment Plans

Modifications of terms for commercial loans are based on individual facts and circumstances. Commercial loan modifications may involve reduction of the interest rate, extension of the loan term and/or forgiveness of principal. Modified commercial loans are usually already nonperforming prior to modification. We evaluate these modifications for TDR classification based upon whether we granted a concession to a borrower experiencing financial difficulties. Additional detail on TDRs is discussed below as well as in Note 4 Asset Quality in the Notes To Consolidated Financial Statements of this Report.

We have established certain commercial loan modification and payment programs for small business loans, Small Business Administration loans, and investment real estate loans. As of September 30, 2014 and December 31, 2013, $37 million and $47 million, respectively, in loan balances were covered under these modification and payment plan programs. Of these loan balances, $13 million and $16 million have been determined to be TDRs as of September 30, 2014 and December 31, 2013, respectively.

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Troubled Debt Restructurings

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. For the nine months ended September 30, 2014, $.9 billion of Consumer loans held for sale, loans accounted for under the fair value option and pooled purchased impaired loans, as well as certain government insured or guaranteed loans, were excluded from the TDR population. The comparable amount for the nine months ended September 30, 2013 was $2.4 billion.

Table 39: Summary of Troubled Debt Restructurings

In millions	September 30 2014	December 31 2013
Consumer lending:		
Real estate-related	$ 1,877	$ 1,939
Credit card	139	166
Other consumer	48	56
Total consumer lending	2,064	2,161
Total commercial lending	552	578
Total TDRs	$ 2,616	$ 2,739
Nonperforming	$ 1,303	$ 1,511
Accruing (a)	1,174	1,062
Credit card	139	166
Total TDRs	$ 2,616	$ 2,739

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

Total TDRs decreased $123 million, or 4%, during the first nine months of 2014. Nonperforming TDRs totaled $1.3 billion, which represents approximately 50% of total nonperforming loans, and 50% of total TDRs.

TDRs that are performing, including credit card loans, are excluded from nonperforming loans. These TDRs increased $85 million, or 7%, during 2014 to $1.3 billion as of September 30, 2014. This increase reflects the further seasoning and performance of the TDRs. Generally, the accruing category is comprised of loans where borrowers have been performing under the restructured terms for at least six consecutive months. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status. See Note 4 Asset Quality in the Notes To Consolidated Financial Statements in this Report for additional information.

Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit

We recorded $413 million in net charge-offs for the first nine months of 2014, compared to $888 million in the first nine months of 2013. Commercial lending net charge-offs decreased from $227 million in the first nine months of 2013 to $56 million in the first nine months of 2014. Consumer lending net charge-offs decreased from $661 million, which included $134 million due to the impact of alignment with interagency supervisory guidance, in the first nine months of 2013 to $357 million in the first nine months of 2014.

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Table 40: Loan Charge-Offs And Recoveries

Nine months ended September 30 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	Percent of Average Loans (annualized)
2014				
Commercial	$ 231	$ 156	$ 75	.11%
Commercial real estate	46	64	(18)	(.11)
Equipment lease financing	9	10	(1)	(.02)
Home equity	213	58	155	.58
Residential real estate	26	23	3	.03
Credit card	125	16	109	3.36
Other consumer	136	46	90	.53
Total	$ 786	$ 373	$ 413	.28
2013				
Commercial	$ 308	$ 183	$ 125	.20%
Commercial real estate	179	70	109	.76
Equipment lease financing	6	13	(7)	(.13)
Home equity	372	55	317	1.17
Residential real estate	131	(2)	133	1.19
Credit card	136	17	119	3.86
Other consumer	133	41	92	.57
Total	$ 1,265	$ 377	$ 888	.63

Total net charge-offs are lower than they would have been otherwise due to the accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of net charge-offs to average loans. See Note 5 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information on net charge-offs related to these loans.

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

We establish specific allowances for loans considered impaired using methods prescribed by GAAP. All impaired loans are subject to individual analysis, except leases and large groups of smaller-balance homogeneous loans which may include, but are not limited to, credit card, residential real estate secured and consumer installment loans. Specific allowances for individual loans (including commercial and consumer TDRs) are determined based on an analysis of the present value of expected future cash flows from the loans

discounted at their effective interest rate, observable market price or the fair value of the underlying collateral.

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

Our commercial pool reserve methodology is sensitive to changes in key risk parameters such as PD and LGD. The results of these parameters are then applied to the loan balance and unfunded loan commitments and letters of credit to determine the amount of the respective reserves. Our PDs and LGDs are primarily determined using internal commercial loan loss data. This internal data is supplemented with third-party data and management judgment, as deemed necessary. We continue to evaluate and enhance our use of internal commercial loss data and will periodically update our PDs and LGDs, as well as consider third-party data, regulatory guidance and management judgment. In general, a given change in any of the major risk parameters will have a corresponding change in the pool reserve allocations for non-impaired commercial loans.

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

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

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

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

Purchased impaired loans are initially recorded at fair value and applicable accounting guidance prohibits the carry over or creation of valuation allowances at acquisition. Because the initial fair values of these loans already reflect a credit component, additional reserves are established when performance is expected to be worse than our expectations as of the acquisition date. At September 30, 2014, we had established reserves of $.9 billion for purchased impaired loans. In addition, loans (purchased impaired and non-impaired) acquired after January 1, 2009 were recorded at fair value. No allowance for loan losses was carried over and no allowance was created at the date of acquisition. See Note 5 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

In determining the appropriateness of the ALLL, we make specific allocations to impaired loans and allocations to portfolios of commercial and consumer loans. We also allocate reserves to provide coverage for probable losses incurred in the portfolio at the balance sheet date based upon current market conditions, which may not be reflected in historical loss data. Commercial lending is the largest category of credits and is sensitive to changes in assumptions and judgments underlying the determination of the ALLL. We have allocated approximately $1.6 billion, or 46%, of the ALLL at September 30, 2014 to the commercial lending category. Consumer lending allocations are made based on historical loss experience adjusted for recent activity. Approximately $1.8 billion, or 54%, of the ALLL at September 30, 2014 has been allocated to these consumer lending categories.

In addition to the ALLL, we maintain an allowance for unfunded loan commitments and letters of credit. We report this allowance as a liability on our Consolidated Balance Sheet. We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is

appropriate to absorb estimated probable losses on these unfunded credit facilities. We determine this amount using estimates of the probability of the ultimate funding and losses related to those credit exposures. Other than the estimation of the probability of funding, this methodology is very similar to the one we use for determining our ALLL.

We refer you to Note 1 Accounting Policies and Note 4 Asset Quality in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further information on certain key asset quality indicators that we use to evaluate our portfolio and establish the allowances.

Table 41: Allowance for Loan and Lease Losses

Dollars in millions	2014	2013
January 1	$ 3,609	$ 4,036
Total net charge-offs (a)	(413)	(888)
Provision for credit losses	221	530
Net change in allowance for unfunded loan commitments and letters of credit	(9)	15
Other	(2)	(2)
September 30	$ 3,406	$ 3,691
Net charge-offs to average loans (for the nine months ended) (annualized) (a)	.28%	.63%
Total allowance for loan and lease losses to total loans	1.70	1.91
Commercial lending net charge-offs	$ (56)	$ (227)
Consumer lending net charge-offs (a)	(357)	(661)
Total net charge-offs	$ (413)	$ (888)
<u>Net charge-offs to average loans (for the nine months ended) (annualized)</u>		
Commercial lending	.06%	.27%

Consumer lending (a)	.62	1.15

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

The provision for credit losses totaled $221 million for the first nine months of 2014 compared to $530 million for the first nine months of 2013. The primary driver of the decrease to the provision was improved overall credit quality, including lower consumer loan delinquencies, and the increasing value of residential real estate which resulted in greater expected cash flows for our purchased impaired loans. For the first nine months of 2014, the provision for commercial lending credit losses increased by $36 million, or 68%, from the first nine months of 2013 reflecting our continual qualitative assessments of the portfolio given the growth trends over the recent quarters. The provision for consumer lending credit losses decreased $345 million, or 72%, from the first nine months of 2013.

At September 30, 2014, total ALLL to total nonperforming loans was 130%. The comparable amount for December 31, 2013 was 117%. These ratios are 84% and 72%, respectively, when excluding the $1.2 billion and $1.4 billion, respectively, of ALLL at September 30, 2014 and December 31, 2013 allocated to consumer loans and lines of credit not secured by residential real estate and purchased impaired loans. We have excluded consumer loans and lines of credit not secured by real estate as they are charged off after 120 to 180 days past due and not placed on nonperforming status. Additionally, we have excluded purchased impaired loans as they are considered performing regardless of their delinquency status as interest is accreted based on our estimate of expected cash flows and additional allowance is recorded when these cash flows are below recorded investment. See Table 30 within this Credit Risk Management section for additional information.

The ALLL balance increases or decreases across periods in relation to fluctuating risk factors, including asset quality trends, net charge-offs and changes in aggregate portfolio balances. During the first nine months of 2014, improving asset quality trends, including, but not limited to, delinquency status and improving economic conditions, reduced net charge-offs and overall portfolio growth, combined to result in the ALLL balance declining $.2 billion, or 6% to $3.4 billion as of September 30, 2014 compared to December 31, 2013.

See Note 1 Accounting Policies and Note 5 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report regarding changes in the ALLL and in the allowance for unfunded loan commitments and letters of credit.

Liquidity Risk Management

Liquidity risk has two fundamental components. The first is potential loss assuming we were unable to meet our funding requirements at a reasonable cost. The second is the potential inability to operate our businesses because adequate contingent liquidity is not available in a stressed environment. We manage liquidity risk at the consolidated company level (bank, parent company, and nonbank subsidiaries combined) to help ensure that we can obtain cost-effective funding to meet current and future obligations under both normal business as usual and stressful circumstances, and to help ensure that we maintain an appropriate level of contingent liquidity.

Management monitors liquidity through a series of early warning indicators that may indicate a potential market, or PNC-specific, liquidity stress event. In addition, management performs a set of liquidity stress tests over multiple time horizons with varying levels of severity and maintains a contingency funding plan to address a potential stress event. In the most severe liquidity stress simulation, we assume that PNC s liquidity position is under pressure, while the market in general is under systemic pressure. The simulation considers, among other things, the impact of restricted access to both secured and unsecured external sources of funding, accelerated run-off of customer deposits, valuation pressure on assets and heavy demand to fund contingent obligations. Risk limits are established within our Enterprise Liquidity

Management Policy and supporting policies. Management s Asset and Liability Committee and the Board of Directors Risk Committee regularly review compliance with key established limits.

Parent company liquidity guidelines are designed to help ensure that sufficient liquidity is available to meet our parent company obligations over the succeeding 24-month period. Risk limits for parent company liquidity are established within our Enterprise Liquidity Management Policy and supporting policies. Management s Asset and Liability Committee and the Board of Directors Risk Committee regularly review compliance with key established limits.

Bank Level Liquidity Uses

At the bank level, primary contractual obligations include funding loan commitments, satisfying deposit withdrawal requests and maturities and debt service related to bank borrowings. As of September 30, 2014, there were approximately $7.5 billion of bank borrowings with contractual maturities of less than one year. We also maintain adequate bank liquidity to meet future potential loan demand and provide for other business needs, as necessary. See the Bank Level Liquidity Sources section below.

Bank Level Liquidity Sources

Our largest source of bank liquidity on a consolidated basis is the deposit base that comes from our retail and commercial businesses. Total deposits increased to $226.3 billion at September 30, 2014 from $220.9 billion at December 31, 2013, primarily driven by growth in transaction deposits. Assets determined by PNC to be liquid (liquid assets) and unused borrowing capacity from a number of sources are also available to maintain our liquidity position. Borrowed funds come from a diverse mix of short and long-term funding sources.

At September 30, 2014, our liquid assets consisted of short-term investments (Federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $30.7 billion and securities available for sale totaling $43.6 billion. Of our total liquid assets of $74.3 billion, we had $17.9 billion pledged as collateral for borrowings, trust, and other commitments. The level of liquid assets fluctuates over time based on many factors, including market conditions, loan and deposit growth and balance sheet management activities.

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

On January 16, 2014, PNC Bank, N.A. established a new bank note program under which it may from time to time offer up to $25 billion aggregate principal amount at any one time outstanding of its unsecured senior and subordinated notes due more than nine months from their date of issue (in the case of senior notes) and due five years or more from their date of issue (in the case of subordinated notes). The $25 billion of notes authorized to be issued and outstanding at any one time includes notes issued by PNC Bank, N.A. prior to January 16, 2014 under the 2004 bank note program and those notes PNC Bank, N.A. has acquired through the acquisition of other banks, in each case for so long as such notes remain outstanding. The terms of the new program do not affect any of the bank notes issued prior to January 16, 2014. At September 30, 2014, PNC Bank, N.A. had $18.3 billion of bank notes outstanding including the following issued during 2014:

- $1.0 billion of senior notes with a maturity date of January 27, 2017. Interest is payable semi-annually, at a fixed rate of 1.125% on January 27 and July 27 of each year, beginning on July 27, 2014,
- $750 million of senior notes with a maturity date of January 28, 2019. Interest is payable semi-annually, at a fixed rate of 2.200% on January 28 and July 28 of each year, beginning on July 28, 2014,
- $1.0 billion of senior extendible floating rate bank notes issued to an affiliate with an initial maturity date of April 15, 2015, subject to the holder s monthly option to extend, and a final maturity date of April 15, 2016. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .235%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2014,
- $900 million of senior extendible floating rate bank notes with an initial maturity date of July 20, 2015, subject to the holder s monthly option to extend, and a final maturity date of July 20, 2016. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .235%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on March 20, June 20, September 20 and December 20 of each year, beginning on September 20, 2014,
- $1.0 billion of senior notes with a maturity date of July 2, 2019. Interest is payable semi-annually, at a fixed rate of 2.25% on January 2 and July 2 of each year, beginning on January 2, 2015,
- $1.0 billion of senior extendible floating rate bank notes issued to an affiliate with an initial maturity date of July 15, 2015, subject to the holder s monthly option to extend, and a final maturity date of July 15, 2016. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .235%, which spread
is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on January 15, April 15, July 15 and October 15 of each year, beginning on October 15, 2014,
- $300 million of floating rate senior notes with a maturity date of August 1, 2017. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .30% per annum, on February 1, May 1, August 1 and November 1 of each year beginning on November 1, 2014,
- $1.25 billion of senior extendible floating rate bank notes issued to an affiliate with an initial maturity date of September 18, 2015, subject to the holder s monthly option to extend, and a final maturity date of August 18, 2016. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .235%, which spread is subject to four potential one basis point increases in the event of certain extensions of maturity by the holder. Interest is payable on February 18, May 18, August 18 and November 18 of each year, beginning on November 18, 2014,
- $500 million of senior notes with a maturity date of October 18, 2017. Interest is payable semi-annually, at a fixed rate of 1.500% on April 18 and October 18 of each year, beginning on April 18, 2015, and
- $500 million of senior notes with a maturity date of October 18, 2019. Interest is payable semi-annually, at a fixed rate of 2.400% on April 18 and October 18 of each year, beginning on April 18, 2015.

Total senior and subordinated debt of PNC Bank, N.A. increased to $19.6 billion at September 30, 2014 from $14.6 billion at December 31, 2013 primarily due to $8.2 billion in new borrowing less $3.2 billion in calls and maturities.

See Note 19 Subsequent Events in the Notes To Consolidated Financial Statements in Part 1, Item 1 of this Report for information on issuance of senior notes of $500 million and $750 million on October 30, 2014.

PNC Bank, N.A. is a member of the FHLB-Pittsburgh and, as such, has access to advances from FHLB-Pittsburgh secured generally by residential mortgage loans, other mortgage-related loans and commercial mortgage-backed securities. At September 30, 2014, our unused secured borrowing capacity was $15.1 billion with FHLB-Pittsburgh. Total FHLB borrowings increased to $16.5 billion at September 30, 2014 from $12.9 billion at December 31, 2013 due to $10.2 billion of new issuances offset by $6.6 billion in calls and maturities. The FHLB-Pittsburgh also periodically provides standby letters of credit on behalf of PNC Bank, N.A. to secure certain public deposits. PNC Bank, N.A. began using standby letters of credit issued by the FHLB-Pittsburgh in response to anticipated short-term regulatory standards. If the FHLB-Pittsburgh is required to make payment for a beneficiary s draw, the payment amount is converted into a collateralized

advance to PNC Bank, N.A. At both September 30, 2014 and December 31, 2013, standby letters of credit issued on our behalf by the FHLB-Pittsburgh totaled $6.2 billion.

PNC Bank, N.A. has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of September 30, 2014, there was $4.8 billion outstanding under this program. During the fourth quarter of 2013, PNC finalized the wind down of Market Street Funding LLC (Market Street), a multi-seller asset-backed commercial paper conduit administered by PNC Bank, N.A. As part of the wind down process, the commitments and outstanding loans of Market Street were assigned to PNC Bank, N.A., which will fund these commitments and loans by utilizing its diversified funding sources. In conjunction with the assignment of commitments and loans, the associated liquidity facilities were terminated along with the program-level credit enhancement provided to Market Street. The wind down did not have a material impact to PNC s financial condition or results of operations.

PNC Bank, N.A. can also borrow from the Federal Reserve Bank of Cleveland s (Federal Reserve Bank) discount window to meet short-term liquidity requirements. The Federal Reserve Bank, however, is not viewed as the primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. These potential borrowings are secured by commercial loans. At September 30, 2014, our unused secured borrowing capacity was $19.6 billion with the Federal Reserve Bank.

Parent Company Liquidity Uses

The parent company s contractual obligations consist primarily of debt service related to parent company borrowings and funding non-bank affiliates. As of September 30, 2014, there were approximately $1.9 billion of parent company borrowings with maturities of less than one year.

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

See Capital and Liquidity Actions in the Executive Summary section of this Financial Review for information on our 2014 capital plan that was accepted by the Federal Reserve, which included certain share repurchases under PNC s existing common stock repurchase authorization and the dividend increase described below.

On April 3, 2014, consistent with our 2014 capital plan, our Board of Directors approved an increase to PNC s quarterly common stock dividend from 44 cents per common share to 48 cents per common share effective with the May 5, 2014 dividend payment to shareholders of record at the close of business on April 15, 2014. On July 3, 2014 and October 2, 2014, respectively, the Board of Directors declared a quarterly common stock cash dividend of 48 cents per share payable on August 5, 2014 and November 5, 2014, respectively, to shareholders of record at the close of business on July 15, 2014 and October 15, 2014, respectively.

See the Supervision and Regulation section of Item 1 Business in our 2013 Form 10-K for additional information regarding the Federal Reserve s CCAR process and the factors the Federal Reserve takes into consideration in evaluating capital plans, as well as for information on new qualitative and quantitative liquidity risk management standards proposed by the U.S. banking agencies. See also Recent Market and Industry Developments in the Executive Summary section of this Financial Review for information on the U.S. banking agencies final rules to implement the LCR and final rules issued by the Federal Reserve that make certain modifications to the Federal Reserve s capital planning and stress testing rules.

During the first nine months of 2014, the parent company used cash for the following transactions:

- On March 28, 2014, we used $1.0 billion of parent company cash to purchase senior extendible floating rate bank notes issued by PNC Bank, N.A.,
- In March 2014, PNC repurchased $50 million of common shares to mitigate the financial impact of employee benefit plan transactions, as described in more detail in Item 2 Unregistered Sales Of Equity Securities And Use of Proceeds in Part II of our March 31, 2014 Form 10-Q,
- During the second quarter of 2014, in accordance with the 2014 capital plan, PNC repurchased $223 million of common shares on the open market, as described in more detail in Item 2 Unregistered Sales Of Equity Securities And Use of Proceeds in Part II of our June 30, 2014 Form 10-Q,
- On June 27, 2014, we used $1.0 billion of parent company cash to purchase senior extendible floating rate bank notes issued by PNC Bank, N.A.,
- On August 18, 2014, we used $1.25 billion of parent company cash to purchase senior extendible floating rate bank notes issued by PNC Bank, N.A., and

During the third quarter of 2014, in accordance with the 2014 capital plan, PNC repurchased $360 million of common shares on the open market, as described in more detail in Item 2 Unregistered Sales Of Equity Securities And Use of Proceeds in Part II of this Report.

Parent Company Liquidity Sources

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

- Bank-level capital needs,
- Laws and regulations,
- Corporate policies,
- Contractual restrictions, and
- Other factors.

There are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank, N.A. to the parent company without prior regulatory approval was approximately $1.4 billion at September 30, 2014. See Note 22 Regulatory Matters in Item 8 of our 2013 Form 10-K for a further discussion of these limitations. We provide additional information on certain contractual restrictions in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in Item 8 of our 2013 Form 10-K.

In addition to dividends from PNC Bank, N.A., other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. As of September 30, 2014, the parent company had approximately $5.0 billion in funds available from its cash and investments.

We can also generate liquidity for the parent company and PNC s non-bank subsidiaries through the issuance of debt securities and equity securities, including certain capital instruments, in public or private markets and commercial paper. We have an effective shelf registration statement pursuant to which we can issue additional debt, equity and other capital instruments.

During the first nine months of 2014, we issued the following parent company debt under our shelf registration statement:

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

Total parent company senior and subordinated debt and hybrid capital instruments decreased to $10.0 billion at September 30, 2014 from $10.7 billion at December 31, 2013 due to $1.4 billion in maturities less $750 million in new borrowings.

The parent company, through its subsidiary PNC Funding Corp, has had the ability to offer up to $3.0 billion of commercial paper to provide additional liquidity. As of September 30, 2014, there were no issuances outstanding under this program. See Note 19 Subsequent Events in the Notes To Consolidated Financial Statements in Part 1, Item 1 of this Report for information on the October 16, 2014 establishment of a program pursuant to which the parent company may offer up to $5.0 billion of commercial paper and the subsequent termination of the PNC Funding Corp commercial paper program.

Note 19 Equity in Item 8 of our 2013 Form 10-K describes the 16,885,192 warrants we have outstanding, each to purchase one share of PNC common stock at an exercise price of $67.33 per share. These warrants were sold by the U.S. Treasury in a secondary public offering in May 2010 after the U.S. Treasury exchanged its TARP Warrant. These warrants will expire December 31, 2018, and are considered in the calculation of diluted earnings per common share in Note 13 Earnings Per Share in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Status of Credit Ratings

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

In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current legislative and regulatory environment, including implied government support. In addition, rating agencies themselves have been subject to scrutiny arising from the most recent financial crisis and could make or be required to make substantial changes to their ratings policies and practices, particularly in response to legislative and regulatory changes. Potential changes in the legislative and regulatory environment and the timing of those changes could impact our ratings, which as noted above, could impact our liquidity and financial condition. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect liquidity and financial condition.

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Table 42: Credit Ratings as of September 30, 2014 for PNC and PNC Bank, N.A.

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

Commitments

The following tables set forth contractual obligations and various other commitments as of September 30, 2014 representing required and potential cash outflows.

Table 43: Contractual Obligations

		Payment Due By Period			
September 30, 2014 in millions	Total	Less than one year	One to three years	Four to five years	After five years
Remaining contractual maturities of time deposits (a)	$ 21,856	$ 15,516	$ 2,844	$ 636	$ 2,860
Borrowed funds (a) (b)	52,327	14,656	17,912	10,255	9,504
Minimum annual rentals on noncancellable leases	2,632	381	622	477	1,152
Nonqualified pension and postretirement benefits	534	58	113	111	252
Purchase obligations (c)	736	462	230	27	17
Total contractual cash obligations	$ 78,085	$ 31,073	$ 21,721	$ 11,506	$ 13,785

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

At September 30, 2014, we had a liability for unrecognized tax benefits of $80 million, which represents a reserve for tax positions that we have taken in our tax returns which ultimately may not be sustained upon examination by taxing authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimated liability has been excluded from the contractual obligations table. See Note 15 Income Taxes in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

Our contractual obligations totaled $73.5 billion at December 31, 2013. The increase in the comparison is primarily attributable to an increase in borrowed funds partially offset by the decline in time deposits. See Funding and Capital Sources in the Consolidated Balance Sheet Review section of this Financial Review for additional information regarding our funding sources.

Table 44: Other Commitments (a)

		Amount Of Commitment Expiration By Period			
September 30, 2014 in millions	Total Amounts Committed	Less than one year	One to three years	Four to five years	After

					five years
Net unfunded loan commitments	$ 136,795	$ 55,140	$ 45,449	$ 35,422	$ 784
Net outstanding standby letters of credit (b)	10,232	4,759	4,508	964	1
Reinsurance agreements (c)	4,536	2,198	22	36	2,280
Other commitments (d)	920	679	203	37	1
Total commitments	$ 152,483	$ 62,776	$ 50,182	$ 36,459	$ 3,066

(a) Other commitments are funding commitments that could potentially require performance in the event of demands by third parties or contingent events. Loan commitments are reported net of syndications, assignments and participations.

(b) Includes $5.6 billion of standby letters of credit that support remarketing programs for customers variable rate demand notes.
(c) Reinsurance agreements are with third-party insurers related to insurance sold to or placed on behalf of our customers. Balances represent estimates based on availability of financial information.
(d) Includes unfunded commitments related to private equity investments of $145 million and additional obligations related to direct investments of $9 million that are not on our Consolidated Balance Sheet. Also includes commitments related to tax credit investments of $688 million and other direct equity investments of $78 million that are included in Other liabilities on our Consolidated Balance Sheet.

Our total commitments totaled $146.8 billion at December 31, 2013. The increase in the comparison is primarily due to an increase in exposure on net unfunded loan commitments partially offset by a decline in reinsurance agreements. See Note 3 Loans and Commitments to Extend Credit and Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this report for additional information on net unfunded loan commitments and our reinsurance agreements, respectively.

Market Risk Management

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

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

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

Market Risk Management Interest Rate Risk

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

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

Sensitivity results and market interest rate benchmarks for the third quarters of 2014 and 2013 follow:

Table 45: Interest Sensitivity Analysis

	Third Quarter 2014	Third Quarter 2013
Net Interest Income Sensitivity Simulation		
Effect on net interest income in first year from gradual interest rate change over following 12 months of:		
100 basis point increase	2.8%	2.1%
100 basis point decrease (a)	(.6)%	(1.0)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	7.0%	7.1%
100 basis point decrease (a)	(3.2)%	(4.8)%
Duration of Equity Model (a)		
Base case duration of equity (in years)	(3.3)	(2.1)

Key Period-End Interest Rates		
One-month LIBOR	.16%	.18%
Three-year swap	1.30%	.76%

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

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. The following Table 46 reflects the percentage change in net interest income over the next two 12-month periods assuming (i) the PNC Economist s most likely rate forecast, (ii) implied market forward rates and (iii) Yield Curve Slope Flattening (a 100 basis point yield curve slope flattening between 1-month and ten-year rates superimposed on current base rates) scenario.

Table 46: Net Interest Income Sensitivity to Alternative Rate Scenarios (Third Quarter 2014)

	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	.6%	.9%	(.7)%
Second year sensitivity	7.1%	5.7%	(2.7)%

All changes in forecasted net interest income are relative to results in a base rate scenario where current market rates are assumed to remain unchanged over the forecast horizon.

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When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business and the behavior of existing on- and off-balance sheet positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in the above table. These simulations assume that as assets and liabilities mature, they are replaced or repriced at then current market rates. We also consider forward projections of purchase accounting accretion when forecasting net interest income.

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

Table 47: Alternate Interest Rate Scenarios: One Year Forward

The third quarter 2014 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

Market Risk Management   Customer-Related Trading Risk

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

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

During the first nine months of 2014, our 95% VaR ranged between $.9 million and $3.9 million, averaging $2.5 million. During the first nine months of 2013, our 95% VaR ranged between $1.7 million and $5.5 million, averaging $3.5 million.

To help ensure the integrity of the models used to calculate VaR for each portfolio and enterprise-wide, we use a process known as backtesting. The backtesting process consists of comparing actual observations of gains or losses against the VaR levels that were calculated at the close of the prior day. This assumes that market exposures remain constant throughout the day and that recent historical market variability is a good predictor of future variability. Our customer-related trading activity includes customer revenue and intraday hedging which helps to reduce losses, and may reduce the number of instances of actual losses exceeding the prior day VaR measure. There were no such instances during the first nine months of 2014 where actual losses exceeded the prior day VaR measure under our diversified VaR measure. In comparison, there was one such instance during the first nine months of 2013. We use a 500 day look back period for backtesting and include customer-related revenue.

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

Table 48: Enterprise-Wide Gains/Losses Versus Value-at-Risk

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Total trading revenue was as follows:

Table 49: Customer-Related Trading Revenue

Nine months ended September 30

In millions	2014	2013
Net interest income	$ 22	$ 24
Noninterest income	149	201
Total customer-related trading revenue	$ 171	$ 225
Securities underwriting and trading (a)	$ 69	$ 54
Foreign exchange	73	69
Financial derivatives and other	29	102
Total customer-related trading revenue	$ 171	$ 225

Three months ended September 30

In millions	2014	2013
Net interest income	$ 7	$ 7
Noninterest income	53	57
Total customer-related trading revenue	$ 60	$ 64
Securities underwriting and trading (a)	$ 22	$ 13
Foreign exchange	23	27
Financial derivatives and other	15	24
Total customer-related trading revenue	$ 60	$ 64

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

Customer-related trading revenues for the first nine months of 2014 decreased $54 million compared to the first nine months of 2013. These decreases were primarily due to market interest rate changes impacting credit valuations for customer-related derivatives activities and reduced derivatives client sales revenues, which were partially offset by improved securities and foreign exchange results.

Customer-related trading revenue for the third quarter of 2014 decreased $4 million compared with the third quarter of 2013. The decrease was mainly due to reduced customer derivative sales results, partially offset by improved hedging results, higher underwriting fees and reduced impact of credit valuations for customer-related derivatives activities.

Market Risk Management   Equity And Other Investment Risk

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

The primary risk measurement for equity and other investments is economic capital. Economic capital is a common measure of risk for credit, market and operational risk. It is an estimate of the potential value depreciation over a one year horizon commensurate with solvency expectations of an institution rated single-A by the credit rating agencies. Given the illiquid nature of many of these types of investments, it can be a challenge to determine their fair values. See Note 8 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report and Note 9 Fair Value in Item 8 of our 2013 Form 10-K for additional information.

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

A summary of our equity investments follows:

Table 50: Equity Investments Summary

In millions	September 30 2014	December 31 2013
BlackRock	$ 6,217	$ 5,940
Tax credit investments (a)	2,520	2,572
Private equity	1,779	1,656
Visa	89	158
Other	158	234
Total	$ 10,763	$ 10,560

(a) The December 31, 2013 amount has been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.

BlackRock

PNC owned approximately 36 million common stock equivalent shares of BlackRock equity at September 30, 2014, accounted for under the equity method. The primary risk measurement, similar to other equity investments, is economic capital. The Business Segments Review section of this Financial Review includes additional information about BlackRock.

Tax Credit Investments

Included in our equity investments are direct tax credit investments and equity investments held by consolidated partnerships which totaled $2.5 billion at September 30, 2014 and $2.6 billion at December 31, 2013. These equity investment balances include unfunded commitments totaling $688 million and $802 million at September 30, 2014 and December 31, 2013, respectively. These unfunded commitments are included in Other Liabilities on our Consolidated Balance Sheet.

Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report has further information on Tax Credit Investments.

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Private Equity

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

Private equity investments carried at estimated fair value totaled $1.8 billion at September 30, 2014 and $1.7 billion at December 31, 2013. As of September 30, 2014, $1.2 billion was invested directly in a variety of companies and $.6 billion was invested indirectly through various private equity funds. Included in direct investments are investment activities of two private equity funds that are consolidated for financial reporting purposes. The noncontrolling interests of these funds totaled $193 million as of September 30, 2014. The interests held in indirect private equity funds are not redeemable, but PNC may receive distributions over the life of the partnership from liquidation of the underlying investments. See the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors included in our 2013 Form 10-K for discussion of potential impacts of the Volcker Rule provisions of Dodd-Frank on our holding interests in and sponsorship of private equity or hedge funds.

Our unfunded commitments related to private equity totaled $145 million at September 30, 2014 compared with $164 million at December 31, 2013.

Visa

During the first nine months of 2014, we sold 3 million Visa Class B common shares, in addition to the 13 million shares sold in the previous two years. We have entered into swap agreements with the purchaser of the shares as part of these sales. See Note 8 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information. At September 30, 2014, our investment in Visa Class B common shares totaled approximately 7 million shares and had a carrying value of $89 million. Based on the September 30, 2014 closing price of $213.37 for the Visa Class A common shares, the fair value of our total investment was approximately $648 million at the current conversion rate, which reflects adjustments in respect of all litigation funding by Visa to date. The Visa Class B common shares that we own are transferable only under limited circumstances (including those applicable to the sales in the first nine months of 2014 and in the previous two years) until they can be converted into shares of the publicly traded class of stock, which cannot happen until the settlement of all of the specified litigation.

Our 2013 Form 10-K has additional information regarding the October 2007 Visa restructuring, our involvement with judgment and loss sharing agreements with Visa and certain other banks, and the status of pending interchange litigation. See also Note 17 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

Other Investments

We also make investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. The economic values could be driven by either the fixed-income market or the equity markets, or both. At September 30, 2014, other investments totaled $158 million compared with $234 million at December 31, 2013. We recognized net gains related to these investments of $19 million and $27 million during the first nine months of 2014 and 2013, including net gains of $9 million and $2 million during the third quarters of 2014 and 2013, respectively.

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

Our unfunded commitments related to other investments were immaterial at both September 30, 2014 and December 31, 2013.

Financial Derivatives

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

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

Further information on our financial derivatives is presented in Note 1 Accounting Policies and Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K and in Note 8 Fair Value and Note 12 Financial Derivatives in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report, which is incorporated here by reference.

Not all elements of market and credit risk are addressed through the use of financial derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market changes, among other reasons.

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The following table summarizes the notional or contractual amounts and net fair value of financial derivatives at September 30, 2014 and December 31, 2013.

Table 51: Financial Derivatives Summary

	September 30, 2014		December 31, 2013	
In millions	Notional/ Contractual Amount	Net Fair Value (a)	Notional/ Contractual Amount	Net Fair Value (a)
Derivatives designated as hedging instruments under GAAP				
Total derivatives designated as hedging instruments	$ 43,305	$ 793	$ 36,197	$ 825
Derivatives not designated as hedging instruments under GAAP				
Total derivatives used for residential mortgage banking activities	$ 82,336	$ 303	$ 119,679	$ 330
Total derivatives used for commercial mortgage banking activities	30,525	(5)	53,149	(12)
Total derivatives used for customer-related activities	181,393	181	169,534	138
Total derivatives used for other risk management activities	5,279	(468)	2,697	(422)
Total derivatives not designated as hedging instruments	$ 299,533	$ 11	$ 345,059	$ 34
Total Derivatives	$ 342,838	$ 804	$ 381,256	$ 859

(a) Represents the net fair value of assets and liabilities.

Internal Controls And Disclosure Controls And Procedures

As of September 30, 2014, we performed an evaluation under the supervision of and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) were effective as of September 30, 2014, and that there has been no change in PNC s internal control over financial reporting that occurred during the third quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Glossary Of Terms

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

<u>Adjusted average total assets</u> Primarily comprised of total average quarterly (or annual) assets plus (less) unrealized losses (gains) on investment securities, less goodwill and certain other intangible assets (net of eligible deferred taxes).

<u>Annualized</u> Adjusted to reflect a full year of activity.

<u>Basel III common equity Tier 1 capital</u> Common stock plus related surplus, net of treasury stock, plus retained earnings, plus accumulated other comprehensive income for securities currently and previously held as available for sale, plus accumulated other comprehensive income for pension and other post postretirement benefit plans, less goodwill, net of associated deferred tax liabilities, less other disallowed intangibles, net of deferred tax liabilities and plus/less other adjustments.

<u>Basel III common equity Tier 1 capital ratio</u> Common equity Tier 1 capital divided by period-end risk-weighted assets (as applicable).

<u>Basel III Tier 1 capital</u> Common equity Tier 1 capital, plus preferred stock, plus certain trust preferred capital securities, plus certain noncontrolling interests that are held by others and plus/ less other adjustments.

Basel III Tier 1 capital ratio	Tier 1 capital divided by period-end risk-weighted assets (as applicable).

Basel III Total capital   Tier 1 capital plus qualifying subordinated debt, plus certain trust preferred securities, plus, under the Basel III transitional rules and the standardized approach, the allowance for loan and lease losses included in Tier 2 capital and other.

Basel III Total capital ratio   Total capital divided by period-end risk-weighted assets (as applicable).

Basis point   One hundredth of a percentage point.

Carrying value of purchased impaired loans   The net value on the balance sheet which represents the recorded investment less any valuation allowance.

Cash recoveries   Cash recoveries used in the context of purchased impaired loans represent cash payments for a single purchased impaired loan not included within a pool of loans from customers that exceeded the recorded investment of that loan.

Charge-off   Process of removing a loan or portion of a loan from our balance sheet because it is considered uncollectible. We also record a charge-off when a loan is transferred from portfolio holdings to held for sale by reducing the loan carrying amount to the fair value of the loan, if fair value is less than carrying amount.

Combined loan-to-value ratio (CLTV)   This is the aggregate principal balance(s) of the mortgages on a property divided by its appraised value or purchase price.

Common shareholders   equity to total assets   Common shareholders   equity divided by total assets. Common shareholders   equity equals total shareholders   equity less the liquidation value of preferred stock.

Core net interest income   Core net interest income is total net interest income less purchase accounting accretion.

Credit derivatives   Contractual agreements, primarily credit default swaps, that provide protection against a credit event of one or more referenced credits. The nature of a credit event is established by the protection buyer and protection seller at the inception of a transaction, and such events include bankruptcy, insolvency and failure to meet payment obligations when due. The buyer of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of a credit event.

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

Credit valuation adjustment (CVA)   Represents an adjustment to the fair value of our derivatives for our own and counterparties non-performance risk.

Derivatives   Financial contracts whose value is derived from changes in publicly traded securities, interest rates, currency exchange rates or market indices. Derivatives cover a wide assortment of financial contracts, including but not limited to forward contracts, futures, options and swaps.

Discretionary client assets under management   Assets over which we have sole or shared investment authority for our customers/clients. We do not include these assets on our Consolidated Balance Sheet.

Duration of equity   An estimate of the rate sensitivity of our economic value of equity. A negative duration of equity is associated with asset sensitivity (*i.e.*, positioned for rising interest rates), while a positive value implies liability sensitivity (*i.e.*, positioned for declining interest rates). For example, if the duration of equity is -1.5 years, the economic value of equity increases by 1.5% for each 100 basis point increase in interest rates.

Earning assets   Assets that generate income, which include: federal funds sold; resale agreements; trading securities; interest-earning deposits with banks; loans held for sale; loans; investment securities; and certain other assets.

Effective duration   A measurement, expressed in years, that, when multiplied by a change in interest rates, would approximate the percentage change in value of on- and off- balance sheet positions.

Efficiency Noninterest expense divided by total revenue.

Enterprise risk management framework An enterprise process designed to identify potential risks that may affect PNC, manage risk to be within our risk appetite and provide reasonable assurance regarding achievement of our objectives.

Fair value The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FICO score A credit bureau-based industry standard score created by Fair Isaac Co. which predicts the likelihood of borrower default. We use FICO scores both in underwriting and assessing credit risk in our consumer lending portfolio. Lower FICO scores indicate likely higher risk of default, while higher FICO scores indicate likely lower risk of default. FICO scores are updated on a periodic basis.

Foreign exchange contracts Contracts that provide for the future receipt and delivery of foreign currency at previously agreed-upon terms.

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Funds transfer pricing   A management accounting methodology designed to recognize the net interest income effects of sources and uses of funds provided by the assets and liabilities of a business segment. We assign these balances LIBOR-based funding rates at origination that represent the interest cost for us to raise/invest funds with similar maturity and repricing structures.

Futures and forward contracts   Contracts in which the buyer agrees to purchase and the seller agrees to deliver a specific financial instrument at a predetermined price or yield. May be settled either in cash or by delivery of the underlying financial instrument.

GAAP   Accounting principles generally accepted in the United States of America.

Home price index (HPI)   A broad measure of the movement of single-family house prices in the U.S.

Impaired loans   Loans are determined to be impaired when, based on current information and events, it is probable that all contractually required payments will not be collected. Impaired loans include commercial nonperforming loans and consumer and commercial TDRs, regardless of nonperforming status. Excluded from impaired loans are nonperforming leases, loans held for sale, loans accounted for under the fair value option, smaller balance homogenous type loans and purchased impaired loans.

Interest rate floors and caps   Interest rate protection instruments that involve payment from the protection seller to the protection buyer of an interest differential, which represents the difference between a short-term rate (*e.g.*, three-month LIBOR) and an agreed-upon rate (the strike rate) applied to a notional principal amount.

Interest rate swap contracts   Contracts that are entered into primarily as an asset/liability management strategy to reduce interest rate risk. Interest rate swap contracts are exchanges of interest rate payments, such as fixed-rate payments for floating-rate payments, based on notional principal amounts.

Intrinsic value   The difference between the price, if any, required to be paid for stock issued pursuant to an equity compensation arrangement and the fair market value of the underlying stock.

Leverage ratio   Tier 1 capital divided by average quarterly adjusted total assets.

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

benchmark.

Loan-to-value ratio (LTV)   A calculation of a loan s collateral coverage that is used both in underwriting and assessing credit risk in our lending portfolio. LTV is the sum total of loan obligations secured by collateral divided by the market value of that same collateral. Market values of the collateral are based on an independent valuation of the collateral. For example, a LTV of less than 90% is better secured and has less credit risk than a LTV of greater than or equal to 90%.

Loss given default (LGD)   An estimate of loss, net of recovery based on collateral type, collateral value, loan exposure, or the guarantor(s) quality and guaranty type (full or partial). Each loan has its own LGD. The LGD risk rating measures the percentage of exposure of a specific credit obligation that we expect to lose if default occurs. LGD is net of recovery, through any means, including but not limited to the liquidation of collateral or deficiency judgments rendered from foreclosure or bankruptcy proceedings.

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

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

Nonaccrual loans   Loans for which we do not accrue interest income. Nonaccrual loans include nonperforming loans, in addition to loans accounted for under fair value option and loans accounted for as held for sale for which full collection of contractual principal and/or interest is not probable.

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

Nonperforming assets   Nonperforming assets include nonperforming loans and OREO and foreclosed assets, but exclude certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest, loans held for sale, loans accounted for under the fair value option and purchased impaired loans. We do not accrue interest income on assets classified as nonperforming.

Nonperforming loans   Loans accounted for at amortized cost for which we do not accrue interest income. Nonperforming loans include loans to commercial, commercial real estate, equipment lease financing, home equity, residential real estate, credit card and other consumer customers as well as TDRs which have not returned to performing status. Nonperforming loans exclude certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest, loans held for sale, loans accounted

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for under the fair value option and purchased impaired loans. Nonperforming loans exclude purchased impaired loans as we are currently accreting interest income over the expected life of the loans.

Notional amount   A number of currency units, shares, or other units specified in a derivative contract.

Operating leverage   The period to period dollar or percentage change in total revenue (GAAP basis) less the dollar or percentage change in noninterest expense. A positive variance indicates that revenue growth exceeded expense growth (*i.e.*, positive operating leverage) while a negative variance implies expense growth exceeded revenue growth (*i.e.*, negative operating leverage).

Options   Contracts that grant the purchaser, for a premium payment, the right, but not the obligation, to either purchase or sell the associated financial instrument at a set price during a specified period or at a specified date in the future.

Other real estate owned (OREO) and foreclosed assets   Assets taken in settlement of troubled loans primarily through deed-in-lieu of foreclosure or foreclosure. Foreclosed assets include real and personal property, equity interests in corporations, partnerships, and limited liability companies.

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

Parent company liquidity coverage   Liquid assets divided by funding obligations within a two year period.

Pretax earnings   Income before income taxes and noncontrolling interests.

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

Primary client relationship   A corporate banking client relationship with annual revenue generation of $10,000 to $50,000 or more, and for Asset Management Group, a client relationship with annual revenue generation of $10,000 or more.

Probability of default (PD)   An internal risk rating that indicates the likelihood that a credit obligor will enter into default status.

Purchase accounting accretion   Accretion of the discounts and premiums on acquired assets and liabilities. The purchase accounting accretion is recognized in net interest income over the weighted-average life of the financial instruments using the constant effective yield method. Accretion for a single purchased impaired loan not included within a pool of loans includes any cash recoveries on that loan received in excess of the recorded investment.

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

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

Recovery   Cash proceeds received on a loan that we had previously charged off. We credit the amount received to the allowance for loan and lease losses.

Residential development loans   Project-specific loans to commercial customers for the construction or development of residential real estate including land, single family homes, condominiums and other residential properties.

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

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

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

Return on average common shareholders   equity   Annualized net income attributable to common shareholders divided by average common shareholders   equity.

Risk   The potential that an event or series of events could occur that would threaten PNC   s ability to achieve its strategic objectives, thereby negatively affecting shareholder value or reputation.

Risk appetite   A dynamic, forward-looking view on the aggregate amount of risk PNC is willing and able to take in executing business strategy in light of the current business environment.

Risk limits   Quantitative measures based on forward looking assumptions that allocate the firm   s aggregate risk appetite (*e.g.* measure of loss or negative events) to business lines, legal entities, specific risk categories, concentrations and as appropriate, other levels.

Risk profile   The risk profile is a point-in-time assessment of risk. The profile represents overall risk position in relation to the desired risk appetite. The determination of the risk profile   s position is based on qualitative and quantitative analysis of reported risk limits, metrics, operating guidelines and qualitative assessments.

Risk-weighted assets   Computed by the assignment of specific risk-weights (as defined by the Board of Governors of the Federal Reserve System) to assets and off-balance sheet instruments.

Securitization   The process of legally transforming financial assets into securities.

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

Swaptions   Contracts that grant the purchaser, for a premium payment, the right, but not the obligation, to enter into an interest rate swap agreement during a specified period or at a specified date in the future.

Taxable-equivalent interest   The interest income earned on certain assets is completely or partially exempt from Federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more

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

Total equity   Total shareholders   equity plus noncontrolling interests.

Total return swap   A non-traditional swap where one party agrees to pay the other the   total return   of a defined underlying asset (*e.g.,* a loan), usually in return for receiving a stream of LIBOR-based cash flows. The total returns of the asset, including interest and any default shortfall, are passed through to the counterparty. The counterparty is, therefore, assuming the credit and economic risk of the underlying asset.

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

Transitional Basel III common equity   Common equity calculated under Basel III using phased in definitions and deductions applicable to PNC for 2014.

Troubled debt restructuring (TDR)   A loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

Value-at-risk (VaR)   A statistically-based measure of risk that describes the amount of potential loss which may be incurred due to adverse market movements. The measure is of the maximum loss which should not be exceeded on 95 out of 100 days for a 95% VaR.

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

Yield curve A graph showing the relationship between the yields on financial instruments or market indices of the same credit quality with different maturities. For example, a normal or positive yield curve exists when long-term bonds have higher yields than short-term bonds. A flat yield curve exists when yields are the same for short-term and long-term bonds. A steep yield curve exists when yields on long-term bonds are significantly higher than on short-term bonds. An inverted or negative yield curve exists when short-term bonds have higher yields than long-term bonds.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

We make statements in this Report, and we may from time to time make other statements, regarding our outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting PNC and its future business and operations that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as believe, plan, expect, anticipate, see, look, intend, outlook, p forecast, estimate, goal, will, should and other similar words and expressions. Forward-looking statements are subject to numerous assumpti risks and uncertainties, which change over time.

Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

Our forward-looking statements are subject to the following principal risks and uncertainties.

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:
  - Changes in interest rates and valuations in debt, equity and other financial markets.
  - Disruptions in the liquidity and other functioning of U.S. and global financial markets.
  - The impact on financial markets and the economy of any changes in the credit ratings of U.S. Treasury obligations and other U.S. government-backed debt, as well as issues surrounding the levels of U.S. and European government debt and concerns regarding the creditworthiness of certain sovereign governments, supranationals and financial institutions in Europe.
  - Actions by the Federal Reserve, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.
  - Changes in customers , suppliers and other counterparties performance and creditworthiness.
  - Slowing or reversal of the current U.S. economic expansion.
  - Continued residual effects of recessionary conditions and uneven spread of positive impacts of recovery on the economy and our counterparties, including adverse impacts on levels of unemployment, loan utilization rates, delinquencies, defaults and counterparty ability to meet credit and other obligations.
  - Changes in customer preferences and behavior, whether due to changing business and economic conditions, legislative and regulatory initiatives, or other factors.
- Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than we are currently expecting. These statements are based on our current view that the U.S. economic expansion will speed up to an above trend growth rate near 3.0 percent in the second half of 2014 and that short-term interest rates will remain very low and bond yields will rise only slowly in the latter half of 2014. These forward-looking statements also do not, unless otherwise indicated, take into account the impact of potential legal and regulatory contingencies.
- PNC s ability to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or issue or redeem preferred stock or other regulatory capital instruments, is subject to the review of such proposed actions by the Federal Reserve as part of PNC s comprehensive capital plan for the applicable period in connection with the regulators Comprehensive Capital Analysis and Review (CCAR) process and to the acceptance of such capital plan and non-objection to such capital actions by the Federal Reserve.
- PNC s regulatory capital ratios in the future will depend on, among other things, the company s financial performance, the scope and terms of final capital regulations then in effect (particularly those implementing the Basel Capital Accords), and management actions affecting the composition of PNC s balance sheet. In addition, PNC s ability to determine, evaluate and forecast regulatory capital ratios, and to take actions (such as capital distributions) based on actual or forecasted capital ratios, will be dependent at least in part on the development, validation and regulatory approval of related models.
- Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:
  - Changes resulting from legislative and regulatory reforms, including major reform of the regulatory oversight structure of the financial services industry and changes to laws and regulations involving tax, pension, bankruptcy, consumer protection, and other industry aspects, and changes in accounting policies and principles. We will be impacted by extensive reforms provided for in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the

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Dodd-Frank Act) and otherwise growing out of the most recent financial crisis, the precise nature, extent and timing of which, and their impact on us, remains uncertain.

Changes to regulations governing bank capital and liquidity standards, including due to the Dodd-Frank Act and to Basel-related initiatives.

Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries. In addition to matters relating to PNC s current and historical business and activities, such matters may include proceedings, claims, investigations, or inquiries relating to pre-acquisition business and activities of acquired companies, such as National City. These matters may result in monetary judgments or settlements or other remedies, including fines, penalties, restitution or alterations in our business practices, and in additional expenses and collateral costs, and may cause reputational harm to PNC.

Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.

Impact on business and operating results of any costs associated with obtaining rights in intellectual property claimed by others and of adequacy of our intellectual property protection in general.

Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital and liquidity standards. In particular, our results currently depend on our ability to manage elevated levels of impaired assets.

Business and operating results also include impacts relating to our equity interest in BlackRock, Inc. and rely to a significant extent on information provided to us by BlackRock. Risks and uncertainties that could affect BlackRock are discussed in more detail by BlackRock in its SEC filings.

We grow our business in part by acquiring from time to time other financial services companies, financial services assets and related deposits and other liabilities. Acquisition risks and uncertainties include those presented by the nature of the business acquired, including in some cases those associated with our entry into new businesses or new geographic or other markets and risks resulting from our inexperience in those new areas, as well as risks and uncertainties related to the acquisition transactions themselves, regulatory issues, and the integration of the acquired businesses into PNC after closing.

Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Industry restructuring in the current environment could also impact our business and financial performance through changes in counterparty creditworthiness and performance and in the competitive and regulatory landscape. Our ability to anticipate and respond to technological changes can also impact our ability to respond to customer needs and meet competitive demands.

Business and operating results can also be affected by widespread natural and other disasters, pandemics, dislocations, terrorist activities, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically.

We provide greater detail regarding these as well as other factors in our 2013 Form 10-K, in our first and second quarter 2014 Form 10-Qs, and elsewhere in this Report, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments and Guarantees Notes of the Notes To Consolidated Financial Statements in those reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this Report or in our other filings with the SEC.

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CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited	Three months ended September 30		Nine months ended September 30	
In millions, except per share data	2014	2013	2014	2013
Interest Income				
Loans	$ 1,848	$ 1,933	$ 5,592	$ 5,917
Investment securities	387	423	1,226	1,315
Other	93	92	276	296
Total interest income	2,328	2,448	7,094	7,528
Interest Expense				
Deposits	81	84	239	263
Borrowed funds	143	130	427	384
Total interest expense	224	214	666	647
Net interest income	2,104	2,234	6,428	6,881
Noninterest Income				
Asset management	411	330	1,137	978
Consumer services	320	316	933	926
Corporate services	374	306	1,018	909
Residential mortgage	140	199	483	600
Service charges on deposits	179	156	482	439
Net gains (losses) on sales of securities (a)		21	4	96
Other-than-temporary impairments	(2)	(2)	(4)	(13)
Less: Noncredit portion of other-than-temporary impairments (b)	(1)			3
Net other-than-temporary impairments	(1)	(2)	(4)	(16)
Other	314	360	947	1,126
Total noninterest income	1,737	1,686	5,000	5,058
Total revenue	3,841	3,920	11,428	11,939
Provision For Credit Losses	55	137	221	530
Noninterest Expense				
Personnel	1,189	1,181	3,441	3,536
Occupancy	200	205	617	622
Equipment	220	194	625	566
Marketing	66	68	186	180
Other (c)	682	746	2,080	2,263
Total noninterest expense	2,357	2,394	6,949	7,167
Income before income taxes and noncontrolling interests	1,429	1,389	4,258	4,242
Income taxes (c)	391	361	1,108	1,104
Net income (c)	1,038	1,028	3,150	3,138
Less: Net income (loss) attributable to noncontrolling interests (c)	1	2	2	(2)
Preferred stock dividends and discount accretion and redemptions	71	71	189	199
Net income attributable to common shareholders	$ 966	$ 955	$ 2,959	$ 2,941
Earnings Per Common Share				
Basic	$ 1.82	$ 1.80	$ 5.55	$ 5.55
Diluted	1.79	1.77	5.45	5.49
Average Common Shares Outstanding				
Basic	529	529	531	528
Diluted	537	534	539	531

(a) Net gains (losses) on sales of securities was less than $.5 million for the third quarter of 2014.

(b) Included in accumulated other comprehensive income (loss). The noncredit portion of other-than-temporary impairments was less than $.5 million for both the third quarter of 2013 and the first nine months of 2014.

(c) Amounts for 2013 periods have been updated to reflect the first quarter 2014 adoption of Accounting Standards Update (ASU) 2014-01 related to investments in low income housing tax credits.

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited	Three months ended September 30		Nine months ended September 30	
In millions	2014	2013	2014	2013
Net income (a)	$ 1,038	$ 1,028	$ 3,150	$ 3,138
Other comprehensive income (loss), before tax and net of reclassifications into Net income:				
Net unrealized gains (losses) on non-OTTI securities	(132)	(68)	269	(1,031)
Net unrealized gains (losses) on OTTI securities	15	58	122	154
Net unrealized gains (losses) on cash flow hedge derivatives	(81)	(31)	(5)	(419)
Pension and other postretirement benefit plan adjustments	(2)	21	89	74
Other	(12)	3	(5)	(10)
Other comprehensive income (loss), before tax and net of reclassifications into Net income	(212)	(17)	470	(1,232)
Income tax benefit (expense) related to items of other comprehensive income	58	19	(179)	445
Other comprehensive income (loss), after tax and net of reclassifications into Net income	(154)	2	291	(787)
Comprehensive income	884	1,030	3,441	2,351
Less: Comprehensive income (loss) attributable to noncontrolling interests (a)	1	2	2	(2)
Comprehensive income attributable to PNC	$ 883	$ 1,028	$ 3,439	$ 2,353

(a) Amounts for 2013 periods have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited

In millions, except par value	September 30 2014	December 31 2013
Assets		
Cash and due from banks (includes $5 and $5 for VIEs) (a)	$ 4,164	$ 4,043
Federal funds sold and resale agreements (includes $191 and $207 measured at fair value) (b)	1,761	1,986
Trading securities	2,650	3,073
Interest-earning deposits with banks (includes $7 and $7 for VIEs) (a)	26,247	12,135
Loans held for sale (includes $2,054 and $1,901 measured at fair value) (b)	2,143	2,255
Investment securities	55,039	60,294
Loans (includes $1,580 and $1,736 for VIEs) (a) (includes $1,017 and $1,150 measured at fair value) (b)	200,872	195,613
Allowance for loan and lease losses (includes $(49) and $(58) for VIEs) (a)	(3,406)	(3,609)
Net loans	197,466	192,004
Goodwill	9,074	9,074
Other intangible assets	1,994	2,216
Equity investments (includes $451 and $582 for VIEs) (a) (c)	10,763	10,560
Other (includes $450 and $591 for VIEs) (a) (includes $380 and $338 measured at fair value) (b)	23,123	22,552
Total assets	$ 334,424	$ 320,192
Liabilities		
Deposits		
Noninterest-bearing	$ 72,963	$ 70,306
Interest-bearing	153,341	150,625
Total deposits	226,304	220,931
Borrowed funds		
Federal funds purchased and repurchase agreements	3,499	4,289
Federal Home Loan Bank borrowings	16,471	12,912
Bank notes and senior debt	15,327	12,603
Subordinated debt	9,046	8,244
Commercial paper	4,809	4,997
Other (includes $362 and $414 for VIEs) (a) (includes $274 and $309 measured at fair value) (b)	3,175	3,060
Total borrowed funds	52,327	46,105
Allowance for unfunded loan commitments and letters of credit	251	242
Accrued expenses (includes $70 and $83 for VIEs) (a) (c)	5,090	4,690
Other (includes $154 and $252 for VIEs) (a)	4,457	4,187
Total liabilities	288,429	276,155
Equity		
Preferred stock (d)		
Common stock ($5 par value, authorized 800 shares, issued 540 shares)	2,703	2,698
Capital surplus preferred stock	3,945	3,941
Capital surplus common stock and other	12,573	12,416
Retained earnings (c)	25,464	23,251
Accumulated other comprehensive income	727	436
Common stock held in treasury at cost: 12 and 7 shares	(931)	(408)
Total shareholders equity	44,481	42,334
Noncontrolling interests (c)	1,514	1,703
Total equity	45,995	44,037
Total liabilities and equity	$ 334,424	$ 320,192

(a) Amounts represent the assets or liabilities of consolidated variable interest entities (VIEs).
(b) Amounts represent items for which we have elected the fair value option.
(c) Amounts for 2013 period have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.
(d) Par value less than $.5 million at each date.

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited	Nine months ended September 30	
In millions	2014	2013
Operating Activities		
Net income (a)	$ 3,150	$ 3,138
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for credit losses	221	530
Depreciation and amortization	724	883
Deferred income taxes (a)	50	979
Net gains on sales of securities	(4)	(96)
Net other-than-temporary impairments	4	16
Changes in fair value of mortgage servicing rights	308	(251)
Gain on sales of Visa Class B common shares	(173)	(168)
Noncash charges on trust preferred securities redemptions		57
Undistributed earnings of BlackRock	(334)	(262)
Excess tax benefits from share-based payment arrangements	(23)	(23)
Net change in		
Trading securities and other short-term investments	628	983
Loans held for sale	(220)	118
Other assets	170	2,681
Accrued expenses and other liabilities (a)	332	(2,591)
Other (a)	(253)	(98)
Net cash provided (used) by operating activities	4,580	5,896
Investing Activities		
Sales		
Securities available for sale	3,564	6,950
Loans	1,866	1,662
Repayments/maturities		
Securities available for sale	5,349	8,020
Securities held to maturity	1,648	1,809
Purchases		
Securities available for sale	(5,057)	(13,183)
Securities held to maturity		(1,035)
Loans	(544)	(1,703)
Net change in		
Federal funds sold and resale agreements	222	546
Interest-earning deposits with banks	(14,112)	(4,064)
Loans	(7,206)	(7,213)
Other (b)	(277)	382
Net cash provided (used) by investing activities	(14,547)	(7,829)

(continued on following page)

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

(continued from previous page)

Unaudited In millions	Nine months ended September 30 2014	2013
Financing Activities		
Net change in		
Noninterest-bearing deposits	$ 2,672	$ (1,223)
Interest-bearing deposits	2,716	4,165
Federal funds purchased and repurchase agreements	(789)	(160)
Commercial paper	(268)	(3,838)
Other borrowed funds	(156)	(716)
Sales/issuances		
Federal Home Loan Bank borrowings	10,150	9,000
Bank notes and senior debt	4,933	3,190
Subordinated debt	745	1,488
Commercial paper	6,737	10,377
Other borrowed funds	470	488
Preferred stock		496
Common and treasury stock	203	195
Repayments/maturities		
Federal Home Loan Bank borrowings	(6,591)	(9,958)
Bank notes and senior debt	(2,194)	(1,424)
Subordinated debt	34	(747)
Commercial paper	(6,657)	(7,998)
Other borrowed funds	(374)	(324)
Preferred stock		(150)
Excess tax benefits from share-based payment arrangements	23	23
Redemption of noncontrolling interests		(375)
Acquisition of treasury stock	(633)	(23)
Preferred stock cash dividends paid	(185)	(188)
Common stock cash dividends paid	(748)	(677)
Net cash provided (used) by financing activities	10,088	1,621
Net Increase (Decrease) In Cash And Due From Banks	121	(312)
Cash and due from banks at beginning of period	4,043	5,220
Cash and due from banks at end of period	$ 4,164	$ 4,908
Supplemental Disclosures		
Interest paid	$ 627	$ 698
Income taxes paid	689	228
Income taxes refunded	9	2
Non-cash Investing and Financing Items		
Transfer from (to) loans to (from) loans held for sale, net	485	(110)
Transfer from loans to foreclosed assets	465	555

(a) Amounts for 2013 period have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.

(b) Includes the impact of the consolidation of a variable interest entity as of March 31, 2013.

See accompanying Notes To Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

BUSINESS

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

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

NOTE 1 ACCOUNTING POLICIES

Basis Of Financial Statement Presentation

Our consolidated financial statements include the accounts of the parent company and its subsidiaries, most of which are wholly-owned, and certain partnership interests and variable interest entities.

We prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the 2014 presentation, which did not have a material impact on our consolidated financial condition or results of operations. Additionally, we evaluate the materiality of identified errors in the financial statements using both an income statement and a balance sheet approach, based on relevant quantitative and qualitative factors. The financial statements include certain adjustments to correct immaterial errors related to previously reported periods. The current year financial statements reflect a second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to noninterest income. The impact of this reclassification to prior periods was not significant, and as such, prior periods were not adjusted. In addition, as disclosed in certain Notes to the Consolidated Financial Statements, we made adjustments to previously reported periods for immaterial errors. Prior period financial statements also reflect the retrospective application of Accounting Standards Update (ASU) 2014-01, Investments Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Qualified Affordable Housing Projects.*

In our opinion, the unaudited interim consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. The results of

operations for interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

When preparing these unaudited interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2013 Annual Report on Form 10-K. Reference is made to Note 1 Accounting Policies in the 2013 Form 10-K for a detailed description of significant accounting policies. Included herein are policies that are required to be disclosed on an interim basis as well as policies where there has been a significant change within the first nine months of 2014. These interim consolidated financial statements serve to update the 2013 Form 10-K and may not include all information and notes necessary to constitute a complete set of financial statements.

We have also considered the impact of subsequent events on these consolidated financial statements.

Use Of Estimates

We prepared these consolidated financial statements using financial information available at the time of preparation, which requires us to make estimates and assumptions that affect the amounts reported. Our most significant estimates pertain to our fair value measurements, allowances for loan and lease losses and unfunded loan commitments and letters of credit, and accretion on purchased impaired loans. Actual results may differ from the estimates and the differences may be material to the consolidated financial statements.

Investment In BlackRock, Inc.

We account for our investment in the common stock and Series B Preferred Stock of BlackRock (deemed to be in-substance common stock) under the equity method of accounting. The investment in BlackRock is reflected on our Consolidated Balance Sheet in Equity investments, while our equity in earnings of BlackRock is reported on our Consolidated Income Statement in Asset management revenue.

We also hold shares of Series C Preferred Stock of BlackRock pursuant to our obligation to partially fund a portion of certain BlackRock long-term incentive plan (LTIP) programs. Since these preferred shares are not deemed to be in-substance common stock, we have elected to account for these preferred shares at fair value and the changes in fair value will offset the impact of marking-to-market the obligation to deliver these shares to BlackRock. Our investment in the BlackRock Series C Preferred Stock is included on our Consolidated Balance Sheet in Other assets. Our obligation to transfer these shares to BlackRock is classified as a derivative not designated as a hedging instrument under GAAP as disclosed in Note 12 Financial Derivatives.

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Nonperforming Assets

Nonperforming assets consists of nonperforming loans and leases, other real estate owned (OREO) and foreclosed assets. Nonperforming loans and leases include nonperforming troubled debt restructurings (TDRs).

Commercial Loans

We generally classify Commercial Lending (Commercial, Commercial Real Estate, and Equipment Lease Financing) loans as nonperforming and place them on nonaccrual status when we determine that the full collection of interest or principal is not probable, including when delinquency of interest or principal payments has existed for 90 days or more and the loans are not well-secured and/or in the process of collection. A loan is considered well-secured when the collateral in the form of liens on (or pledges of) real or personal property, including marketable securities, has a realizable value sufficient to discharge the debt in full, including accrued interest. Such factors that would lead to nonperforming status would include, but are not limited to, the following:

- Deterioration in the financial position of the borrower resulting in the loan moving from accrual to cash basis accounting;
- The collection of principal or interest is 90 days or more past due unless the asset is well-secured and/or in the process of collection;
- Reasonable doubt exists as to the certainty of the borrower s future debt service ability, according to the terms of the credit arrangement, whether 90 days have passed or not;
- The borrower has filed or will likely file for bankruptcy;
- The bank advances additional funds to cover principal or interest;
- We are in the process of liquidating a commercial borrower; or
- We are pursuing remedies under a guarantee.

We charge off commercial nonperforming loans when we determine that a specific loan, or portion thereof, is uncollectible. This determination is based on the specific facts and circumstances of the individual loans. In making this determination, we consider the viability of the business or project as a going concern, the past due status when the asset is not well-secured, the expected cash flows to repay the loan, the value of the collateral, and the ability and willingness of any guarantors to perform.

Additionally, in general, for smaller dollar commercial loans of $1 million or less, a partial or full charge-off will occur at 120 days past due for term loans and 180 days past due for revolvers.

Certain small business credit card balances are placed on nonaccrual status when they become 90 days or more past due. Such loans are charged-off at 180 days past due.

Consumer Loans

Nonperforming loans are those loans accounted for at amortized cost that have deteriorated in credit quality to the extent that full collection of contractual principal and interest is not probable. These loans are also classified as nonaccrual. For these loans, the current year accrued and uncollected interest is reversed through Net interest income and prior year accrued and uncollected interest is charged-off. Additionally, these loans may be charged-off down to the fair value less costs to sell.

Loans acquired and accounted for under ASC 310-30 Loans and Debt Securities Acquired with Deteriorated Credit Quality are reported as performing and accruing loans due to the accretion of interest income.

Loans accounted for under the fair value option and loans accounted for as held for sale are reported as performing loans as these loans are accounted for at fair value and the lower of carrying value or the fair value less costs to sell, respectively. However, based upon the nonaccrual policies discussed below, interest income is not accrued. Additionally, based upon the nonaccrual policies discussed below, certain government insured loans for which we do not expect to collect substantially all principal and interest are reported as nonperforming and do not accrue interest. Alternatively, certain government insured loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest.

Loans where a borrower has been discharged from personal liability in bankruptcy and has not formally reaffirmed its loan obligation to PNC are classified as nonperforming TDRs. These loans are charged off to collateral value less costs to sell, and any associated allowance at the time of charge-off is reduced to zero. The charge-off activity results in a reduction in the allowance, an increase in provision for credit losses, if the related loan charge-off exceeds the associated allowance, as well as a difference in the pre-TDR recorded investment to the post-TDR recorded investment reflected in Table 66. Collateral values are updated annually. Subsequent declines in collateral values are charged-off and incremental provision for credit loss is incurred. PNC does not return these TDRs to performing status.

A consumer loan is considered well-secured when the collateral in the form of liens on (or pledges of) real or personal property, including marketable securities, has a realizable value sufficient to discharge the debt in full, including accrued interest. Home equity installment loans and lines of credit, whether well-secured or not, are classified as nonaccrual at 90 days past due. Well-secured residential real estate loans are classified as nonaccrual at 180 days past due. In addition to these delinquency-related policies, a consumer loan may also be placed on nonaccrual status when:

The loan has been modified and classified as a TDR, as further discussed below;

- Notification of bankruptcy has been received and the loan is 30 days or more past due;
- The bank holds a subordinate lien position in the loan and the first lien loan is seriously stressed (*i.e*., 90 days or more past due);
- Other loans within the same borrower relationship have been placed on nonaccrual or charge-off has been taken on them;
- The bank has repossessed non-real estate collateral securing the loan; or
- The bank has charged-off the loan to the value of the collateral.

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

Home equity installment loans, home equity lines of credit, and residential real estate loans that are not well-secured and in the process of collection are charged-off at no later than 180 days past due to the estimated fair value of the collateral less costs to sell. In addition to this policy, the bank will also recognize a charge-off on a secured consumer loan when:

- The bank holds a subordinate lien position in the loan and a foreclosure notice has been received on the first lien loan;
- The bank holds a subordinate lien position in the loan which is 30 days or more past due with a combined loan to value ratio of greater than or equal to 110% and the first lien loan is seriously stressed (*i.e*., 90 days or more past due);
- It is modified or otherwise restructured in a manner that results in the loan becoming collateral dependent;
- Notification of bankruptcy has been received within the last 60 days and the loan is 60 days or more past due;
- The borrower has been discharged from personal liability through Chapter 7 bankruptcy and has not formally reaffirmed his or her loan obligation to PNC; or
- The collateral securing the loan has been repossessed and the value of the collateral is less than the recorded investment of the loan outstanding.

Accounting for Nonperforming Assets

If payment is received on a nonaccrual loan, generally the payment is first applied to the recorded investment; payments are then applied to recover any charged-off amounts related to the loan. Finally, if both recorded investment and any charge-offs have been recovered, then the payment will be recorded as fee and interest income.

Nonaccrual loans are generally not returned to accrual status until the borrower has performed in accordance with the contractual terms for a reasonable period of time (*e.g*., 6

months). When a nonperforming loan is returned to accrual status, it is then considered a performing loan.

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs may include restructuring certain terms of loans, receipts of assets from debtors in partial satisfaction of loans, or a combination thereof. For TDRs, payments are applied based upon their contractual terms unless the related loan is deemed non-performing. TDRs are generally included in nonperforming loans until returned to performing status through the fulfilling of restructured terms for a reasonable period of time (generally 6 months). TDRs resulting from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status.

See Note 4 Asset Quality and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional TDR information.

Foreclosed assets are comprised of any asset seized or property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Other real estate owned is comprised principally of commercial real estate and residential real estate properties obtained in partial or total satisfaction of loan obligations. After obtaining a foreclosure judgment, or in some jurisdictions the initiation of proceedings under a power of sale in the loan instruments, the property will be sold. When we are awarded title, we transfer the loan to foreclosed assets included in Other assets on our Consolidated Balance Sheet. Property obtained in satisfaction of a loan is initially recorded at estimated fair value less cost to sell. Based upon the estimated fair value less cost to sell, the recorded investment of the loan is adjusted and, typically, a charge-off/recovery is recognized to the Allowance for Loan and Lease Losses (ALLL). We estimate fair values primarily based on appraisals, or sales agreements with third parties. Fair value also considers the proceeds expected from government insurance and guarantees upon the conveyance of the other real estate owned (OREO).

Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or estimated fair value less cost to sell. Valuation adjustments on these assets and gains or losses realized from disposition of such property are reflected in Other noninterest expense.

See Note 4 Asset Quality and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional data and application of the policies disclosed herein.

Allowance for Loan and Lease Losses

We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred

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in the loan and lease portfolios as of the balance sheet date. Our determination of the allowance is based on periodic evaluations of these loan and lease portfolios and other relevant factors. This critical estimate includes the use of significant amounts of PNC s own historical data and complex methods to interpret them. We have an ongoing process to evaluate and enhance the quality, quantity and timeliness of our data and interpretation methods used in the determination of this allowance. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change, and include, among others:

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

For all loans, except purchased impaired loans, the ALLL is the sum of three components: (i) asset specific/individual impaired reserves, (ii) quantitative (formulaic or pooled) reserves and (iii) qualitative (judgmental) reserves.

The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions are periodically updated.

Asset Specific/Individual Component

Nonperforming loans that are considered impaired under ASC 310 Receivables, which include all commercial and consumer TDRs, are evaluated for a specific reserve. Specific reserve allocations are determined as follows:

- For commercial nonperforming loans and commercial TDRs greater than or equal to a defined dollar threshold, specific reserves are based on an analysis of the present value of the loan s expected future cash flows, the loan s observable market price or the fair value of the collateral.
- For commercial nonperforming loans and commercial TDRs below the defined dollar threshold, the individual loan s loss given default (LGD) percentage is multiplied by the loan balance and the results are aggregated for purposes of measuring specific reserve impairment.
- Consumer nonperforming loans are collectively reserved for unless classified as consumer TDRs. For consumer TDRs, specific reserves are determined through an analysis of the present value of the loan s expected future cash flows, except for those instances where loans have been deemed collateral dependent, including loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. Once that determination has been made, those TDRs are charged down to the fair value of the collateral less costs to sell at each period end.

Commercial Lending Quantitative Component

The estimates of the quantitative component of ALLL for incurred losses within the commercial lending portfolio segment are determined through statistical loss modeling utilizing PD, LGD and outstanding balance of the loan. Based upon loan risk ratings, we assign PDs and LGDs. Each of these statistical parameters is determined based on internal historical data and market data. PD is influenced by such factors as liquidity, industry, obligor financial structure, access to capital and cash flow. LGD is influenced by collateral type, original and/or updated loan-to-value ratio (LTV) and guarantees by related parties.

Consumer Lending Quantitative Component

Quantitative estimates within the consumer lending portfolio segment are calculated using a roll-rate model based on statistical relationships, calculated from historical data that estimate the movement of loan outstandings through the various stages of delinquency and ultimately charge-off over our loss emergence period.

Qualitative Component

While our reserve methodologies strive to reflect all relevant risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes. We provide additional reserves that are designed to provide coverage for losses attributable to such risks. The ALLL also includes factors that may not be directly measured in the determination of specific or pooled reserves. Such qualitative factors may include:

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

Allowance for Purchased Non-Impaired Loans

ALLL for purchased non-impaired loans is determined based upon a comparison between the methodologies described above and the remaining acquisition date fair value discount that has yet to be accreted into interest income. After making the comparison, an ALLL is recorded for the amount greater than the discount, or no ALLL is recorded if the discount is greater.

Allowance for Purchased Impaired Loans

ALLL for purchased impaired loans is determined in accordance with ASC 310-30 by comparing the net present value of the cash flows expected to be collected to the recorded investment for a given loan (or pool of loans). In cases where the net present value of expected cash flows is lower than the recorded investment, ALLL is established. Cash flows expected to be collected represent management s best estimate of the cash flows expected over the life of a loan (or pool of loans). For large balance commercial loans, cash flows are separately estimated and compared to the recorded investment at the loan level. For smaller balance pooled loans, cash flows are estimated using cash flow models and compared at the risk pool level, which was defined at acquisition based on the risk characteristics of the loan. Our cash flow models use loan data including, but not limited to, delinquency status of the loan, updated borrower FICO credit scores, geographic information, historical loss experience, and updated LTVs, as well as best estimates for changes in unemployment rates, home prices and other economic factors, to determine estimated cash flows.

See Note 4 Asset Quality, Note 5 Purchased Loans, and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional loan data and application of the policies disclosed herein.

Our credit risk management policies, procedures and practices are designed to promote sound lending standards and prudent credit risk management. We have policies, procedures and practices that address financial statement requirements, collateral review and appraisal requirements, advance rates based upon collateral types, appropriate levels of exposure, cross-border risk, lending to specialized industries or borrower type, guarantor requirements, and regulatory compliance.

Allowance for Unfunded Loan Commitments and Letters of Credit

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable credit losses on these unfunded credit facilities as of the balance sheet date. We determine the allowance based on periodic evaluations of the unfunded credit facilities, including an assessment of the probability of commitment usage, credit risk factors, and, solely for commercial lending, the terms and expiration dates of the unfunded credit facilities. Other than the estimation of the probability of funding, the reserve for unfunded loan commitments is estimated in a manner similar to the methodology used for determining reserves for funded exposures. The allowance for unfunded loan commitments and letters of credit is recorded as a liability on the Consolidated Balance Sheet. Net adjustments to the allowance for unfunded loan commitments and letters of credit are included in the provision for credit losses.

See Note 4 Asset Quality and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters

of Credit for additional loan data and application of the policies disclosed herein.

Earnings Per Common Share

Basic earnings per common share is calculated using the two-class method to determine income attributable to common shareholders. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities under the two-class method. Income attributable to common shareholders is then divided by the weighted-average common shares outstanding for the period.

Diluted earnings per common share is calculated under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, we increase the weighted-average number of shares of common stock outstanding by the assumed conversion of outstanding convertible preferred stock from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and warrants and the issuance of incentive shares using the treasury stock method. These adjustments to the weighted-average number of shares of common stock outstanding are made only when such adjustments will dilute earnings per common share. See Note 13 Earnings Per Share for additional information.

Recently Adopted Accounting Standards

In January 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-01, Investments Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Qualified Affordable Housing Projects.* This ASU provides guidance on accounting for investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low income housing tax credit. If certain criteria are satisfied, investment amortization, net of tax credits, may be recognized in the income statement as a component of income taxes attributable to continuing operations under either the proportional amortization method or the practical expedient method to the proportional amortization method. This ASU is effective for annual periods, beginning after December 15, 2014. Retrospective application is required and early adoption is permitted. We early adopted this guidance in the first quarter of 2014 for interim and annual reporting periods because we believe the presentation more accurately reflects the economics of tax credit investments. We elected to amortize our qualifying investments in low income housing tax credits under the practical expedient method to the proportional amortization method while continuing to account for our other tax credit investments under the equity method.

For prior periods, pursuant to ASU 2014-01, (a) amortization expense related to our qualifying investments in low income housing tax credits was reclassified from Other noninterest expense to Income taxes, and (b) additional amortization, net of the associated tax benefits was recognized in Income taxes as a result of our adoption of the practical expedient to the proportional amortization method. The cumulative effect to retained earnings as of January 1, 2014 of adopting this guidance was a reduction of $74 million, inclusive of a $55 million reduction to retained earnings as of January 1, 2013.

During the first nine months of 2014, we recognized $135 million of amortization, $151 million of tax credits, and $49 million of other tax benefits associated with these investments within Income taxes. The amounts for the third quarter of 2014 were $45 million, $51 million and $16 million, respectively. At September 30, 2014, the amount of investments in low income housing tax credits that were accounted for under ASU 2014-01 was $2.0 billion. These investments are reflected in Equity investments on our Consolidated Balance Sheet.

We did not adopt any new accounting standards during the third quarter of 2014.

NOTE 2 LOAN SALE AND SERVICING ACTIVITIES AND VARIABLE INTEREST ENTITIES

Loan Sale and Servicing Activities

We have transferred residential and commercial mortgage loans in securitization or sales transactions in which we have continuing involvement. These transfers have occurred through Agency securitization, Non-agency securitization, and loan sale transactions. Agency securitizations consist of securitization transactions with Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA) (collectively the Agencies). FNMA and FHLMC generally securitize our transferred loans into mortgage-backed securities for sale into the secondary market through special purpose entities (SPEs) that they sponsor. We, as an authorized GNMA issuer/servicer, pool Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) insured loans into mortgage-backed securities for sale into the secondary market. In Non-agency securitizations, we have transferred loans into securitization SPEs. In other instances, third-party investors have also purchased our loans in loan sale transactions and in certain instances have subsequently sold these loans into securitization SPEs. Securitization SPEs utilized in the Agency and Non-agency securitization transactions are variable interest entities (VIEs).

Our continuing involvement in the FNMA, FHLMC, and GNMA securitizations, Non-agency securitizations, and loan sale transactions generally consists of servicing, repurchases of previously transferred loans under certain conditions and loss share arrangements, and, in limited circumstances, holding of mortgage-backed securities issued by the securitization SPEs.

Depending on the transaction, we may act as the master, primary, and/or special servicer to the securitization SPEs or

third-party investors. Servicing responsibilities typically consist of collecting and remitting monthly borrower principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and, in certain instances, funding of servicing advances. Servicing advances, which are reimbursable, are recognized in Other assets at cost and are made for principal and interest and collateral protection.

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

Certain loans transferred to the Agencies contain removal of account provisions (ROAPs). Under these ROAPs, we hold an option to repurchase at par individual delinquent loans that meet certain criteria. In other limited cases, the U.S. Department of Housing and Urban Development (HUD) has granted us the right to repurchase current loans when we intend to modify the borrower s interest rate under established guidelines. When we have the unilateral ability to repurchase a loan, effective control over the loan has been regained and we recognize an asset (in either Loans or Loans held for sale) and a corresponding liability (in Other borrowed funds) on the balance sheet regardless of our intent to repurchase the loan. At September 30, 2014 and December 31, 2013, these assets and liabilities both totaled $124 million and $128 million, respectively.

The Agency and Non-agency mortgage-backed securities issued by the securitization SPEs that are purchased and held on our balance sheet are typically purchased in the secondary market. PNC does not retain any credit risk on its Agency mortgage-backed security positions as FNMA, FHLMC, and the U.S. Government (for GNMA) guarantee losses of principal and interest. Substantially all of the Non-agency mortgage-backed securities acquired and held on our balance sheet are senior tranches in the securitization structure.

We also have involvement with certain Agency and Non-agency commercial securitization SPEs where we have not transferred commercial mortgage loans. These SPEs were sponsored by independent third-parties and the loans held by these entities were purchased exclusively from other third-parties. Generally, our involvement with these SPEs is as servicer with servicing activities consistent with those described above.

We recognize a liability for our loss exposure associated with contractual obligations to repurchase previously transferred loans due to breaches of representations and warranties and also for loss sharing arrangements (recourse obligations) with the Agencies. Other than providing temporary liquidity under servicing advances and our loss exposure associated with our repurchase and recourse obligations, we have not provided nor are we required to provide any type of credit support, guarantees, or commitments to the securitization SPEs or third-party investors in these transactions. See Note 17 Commitments and Guarantees for further discussion of our repurchase and recourse obligations.

The following table provides certain financial information and cash flows associated with PNC s loan sale and servicing activities:

Table 52: Certain Financial Information and Cash Flows Associated with Loan Sale and Servicing Activities

In millions	Residential Mortgages	Commercial Mortgages (a)	Home Equity Loans/Lines (b)
FINANCIAL INFORMATION September 30, 2014			
Servicing portfolio (c)	$ 110,749	$ 179,148	$ 3,936
Carrying value of servicing assets (d)	978	532	
Servicing advances (e)	486	318	4
Repurchase and recourse obligations (f)	108	36	24
Carrying value of mortgage-backed securities held (g)	3,514	1,189	
FINANCIAL INFORMATION December 31, 2013			
Servicing portfolio (c)	$ 113,994	$ 176,510	$ 4,321 (h)
Carrying value of servicing assets (d)	1,087	549	
Servicing advances (e)	571	412	11
Repurchase and recourse obligations (f)	131	33	22
Carrying value of mortgage-backed securities held (g)	4,144	1,475	

In millions	Residential Mortgages	Commercial Mortgages (a)	Home Equity Loans/Lines (b)
CASH FLOWS Three months ended September 30, 2014			
Sales of loans (i)	$ 2,153	$ 1,091	
Repurchases of previously transferred loans (j)	188		$ 4
Servicing fees (k)	86	34	4
Servicing advances recovered/(funded), net	15	38	
Cash flows on mortgage-backed securities held (g)	238	51	
CASH FLOWS Three months ended September 30, 2013			
Sales of loans (i)	$ 4,148	$ 712	
Repurchases of previously transferred loans (j)	278		$ 1
Servicing fees (k)	91	44	5
Servicing advances recovered/(funded), net		78	(5)
Cash flows on mortgage-backed securities held (g)	436	140	
CASH FLOWS Nine months ended September 30, 2014			
Sales of loans (i)	$ 6,437	$ 2,026	
Repurchases of previously transferred loans (j)	556		$ 13
Servicing fees (k)	260	101	14
Servicing advances recovered/(funded), net	84	93	6
Cash flows on mortgage-backed securities held (g)	724	242	
CASH FLOWS Nine months ended September 30, 2013			
Sales of loans (i)	$ 12,142	$ 2,127	
Repurchases of previously transferred loans (j)	928		$ 5
Servicing fees (k)	270	133	16
Servicing advances recovered/(funded), net	24	81	(6)
Cash flows on mortgage-backed securities held (g)	1,192	333	

(a) Represents financial and cash flow information associated with both commercial mortgage loan transfer and servicing activities.

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(b) These activities were part of an acquired brokered home equity lending business in which PNC is no longer engaged. See Note 17 Commitments and Guarantees for further information.
(c) For our continuing involvement with residential mortgages, this amount represents the outstanding balance of loans we service, including loans transferred by us and loans originated by others where we have purchased the associated servicing rights. For home equity loan/line of credit transfers, this amount represents the outstanding balance of loans transferred and serviced. For commercial mortgages, this amount represents our overall servicing portfolio in which loans have been transferred by us or third parties to VIEs.
(d) See Note 8 Fair Value and Note 9 Goodwill and Other Intangible Assets for further information.
(e) Pursuant to certain contractual servicing agreements, represents outstanding balance of funds advanced (i) to investors for monthly collections of borrower principal and interest, (ii) for borrower draws on unused home equity lines of credit, and (iii) for collateral protection associated with the underlying mortgage collateral.
(f) Represents liability for our loss exposure associated with loan repurchases for breaches of representations and warranties for our Residential Mortgage Banking and Non-Strategic Assets Portfolio segments, and our commercial mortgage loss share arrangements for our Corporate & Institutional Banking segment. See Note 17 Commitments and Guarantees for further information.
(g) Represents securities held where PNC transferred to and/or services loans for a securitization SPE and we hold securities issued by that SPE.
(h) In prior periods, the unpaid principal balance reflected the outstanding balance at the time of charge-off. During the second quarter of 2014, we corrected the outstanding principal balance to reflect the unpaid principal balance as of the reporting date. Prior period amounts were decreased by approximately $581 million.
(i) There were no gains or losses recognized on the transaction date for sales of residential mortgage loans as these loans are recognized on the balance sheet at fair value. For transfers of commercial mortgage loans not recognized on the balance sheet at fair value, gains/losses recognized on sales of these loans were insignificant for the periods presented.
(j) Includes government insured or guaranteed loans eligible for repurchase through the exercise of our ROAP option and loans repurchased due to breaches of origination covenants or representations and warranties made to purchasers.
(k) Includes contractually specified servicing fees, late charges and ancillary fees.

The table below presents information about the principal balances of transferred loans not recorded on our balance sheet, including residential mortgages, that we service. Additionally, the table below includes principal balances of commercial mortgage securitization and sales transactions where we service those assets. Serviced delinquent loans are 90 days or more past due, and for commercial mortgages, include foreclosed loans.

Table 53: Principal Balance, Delinquent Loans (Loans 90 Days or More Past Due), and Net Charge-offs Related to Serviced Loans

In millions	Residential Mortgages	Commercial Mortgages	Home Equity Loans/Lines (a)
Serviced Loan Information September 30, 2014			
Total principal balance	$ 80,887	$ 60,935	$ 3,936
Delinquent loans	2,859	2,525	1,312
Serviced Loan Information December 31, 2013			
Total principal balance	$ 85,758	$ 62,872	$ 4,321 (b)
Delinquent loans	3,562	2,353	1,404 (b)

In millions	Residential Mortgages	Commercial Mortgages	Home Equity Loans/Lines (a)
Three months ended September 30, 2014			
Net charge-offs (c)	$ 33	$ 439	$ 15
Three months ended September 30, 2013			
Net charge-offs (c)	$ 58	$ 431	$ 24
Nine months ended September 30, 2014			
Net charge-offs (c)	$ 108	$ 1,139	$ 47
Nine months ended September 30, 2013			
Net charge-offs (c)	$ 173	$ 729	$ 103

(a) These activities were part of an acquired brokered home equity lending business in which PNC is no longer engaged. See Note 17 Commitments and Guarantees for further information.
(b) In prior periods, the unpaid principal balance reflected the outstanding balance at the time of charge-off. During the second quarter of 2014, we corrected the outstanding principal balance to reflect the unpaid principal balance as of the reporting date. Prior period amounts were decreased by approximately $581 million.
(c) Net charge-offs for Residential mortgages and Home equity loans/lines represent credit losses less recoveries distributed and as reported to investors during the period. Net charge-offs for Commercial mortgages represent credit losses less recoveries distributed and as reported by the trustee for CMBS securitizations. Realized losses for Agency securitizations are not reflected as we do not manage the underlying real estate upon foreclosure and, as such, do not have access to loss information.

Variable Interest Entities (VIEs)

As discussed in our 2013 Form 10-K, we are involved with various entities in the normal course of business that are deemed to be VIEs. The following provides a summary of VIEs, including those that we have consolidated and those in which we hold variable interests but have not consolidated into our financial statements as of September 30, 2014 and December 31, 2013, respectively. We have not provided additional financial support to these entities which we are not contractually required to provide.

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Table 54: Consolidated VIEs Carrying Value (a) (b)

September 30, 2014 In millions	Credit Card and Other Securitization Trusts	Tax Credit Investments	Total
Assets			
Cash and due from banks		$ 5	$ 5
Interest-earning deposits with banks		7	7
Loans	$ 1,580		1,580
Allowance for loan and lease losses	(49)		(49)
Equity investments		451	451
Other assets	22	428	450
Total assets	$ 1,553	$ 891	$ 2,444
Liabilities			
Other borrowed funds	$ 167	$ 195	$ 362
Accrued expenses		70	70
Other liabilities		154	154
Total liabilities	$ 167	$ 419	$ 586

December 31, 2013 In millions	Credit Card and Other Securitization Trusts	Tax Credit Investments	Total
Assets			
Cash and due from banks		$ 5	$ 5
Interest-earning deposits with banks		7	7
Loans	$ 1,736		1,736
Allowance for loan and lease losses	(58)		(58)
Equity investments		582	582
Other assets	25	566	591
Total assets	$ 1,703	$ 1,160	$ 2,863
Liabilities			
Other borrowed funds	$ 184	$ 230	$ 414
Accrued expenses		83	83
Other liabilities		252	252
Total liabilities	$ 184	$ 565	$ 749

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

(b) Difference between total assets and total liabilities represents the equity portion of the VIE or intercompany assets and liabilities which are eliminated in consolidation.

Table 55: Non-Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss (a)	Carrying Value of Assets	Carrying Value of Liabilities
September 30, 2014					
Commercial Mortgage-Backed Securitizations (b)	$ 60,706	$ 60,706	$ 1,386	$ 1,386 (d)	$ 1 (f)
Residential Mortgage-Backed Securitizations (b)	42,179	42,179	3,532	3,532 (d)	4 (f)
Tax Credit Investments and Other (c)	7,178	2,643	2,154	2,189 (e)	771 (g)
Total	$ 110,063	$ 105,528	$ 7,072	$ 7,107	$ 776

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss (a)	Carrying Value of	Carrying Value of

				Assets	Liabilities
December 31, 2013					
Commercial Mortgage-Backed Securitizations (b)	$ 65,757	$ 65,757	$ 1,747	$ 1,747 (d)	
Residential Mortgage-Backed Securitizations (b)	37,962	37,962	4,171	4,171 (d)	$ 5 (f)
Tax Credit Investments and Other (c) (h)	7,086	2,622	2,030	2,055 (e)	826 (g)
Total	$ 110,805	$ 106,341	$ 7,948	$ 7,973	$ 831

(a) This represents loans, investments and other assets related to non-consolidated VIEs, net of collateral (if applicable). Our total exposure related to our involvement in loan sale and servicing activities is disclosed in Table 52. Additionally, we also invest in other mortgage and asset-backed securities issued by third-party VIEs with which we have no continuing involvement. Further information on these securities is included in Note 7 Investment Securities and values disclosed represent our maximum exposure to loss for those securities holdings.
(b) Amounts reflect involvement with securitization SPEs where PNC transferred to and/or services loans for an SPE and we hold securities issued by that SPE. Asset amounts equal outstanding liability amounts of the SPEs due to limited availability of SPE financial information.
(c) Aggregate assets and aggregate liabilities are based on limited availability of financial information associated with certain acquired partnerships and certain LLCs engaged in solar power generation to which PNC provides lease financing. The aggregate assets and aggregate liabilities of LLCs engaged in solar power generation may not be reflective of the size of these VIEs due to differences in classification of leases by these entities.
(d) Included in Trading securities, Investment securities, Other intangible assets and Other assets on our Consolidated Balance Sheet.
(e) Included in Loans, Equity investments and Other assets on our Consolidated Balance Sheet.
(f) Included in Other liabilities on our Consolidated Balance Sheet.
(g) Included in Deposits and Other liabilities on our Consolidated Balance Sheet.
(h) PNC Risk of Loss and Carrying Value of Assets have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.

Credit Card Securitization Trust

We were the sponsor of several credit card securitizations facilitated through a trust. This bankruptcy-remote SPE was established to purchase credit card receivables from the sponsor and to issue and sell asset-backed securities created by it to independent third-parties. The SPE was financed primarily through the sale of these asset-backed securities. These transactions were originally structured to provide liquidity and to afford favorable capital treatment.

Our continuing involvement in these securitization transactions consisted primarily of holding certain retained interests and acting as the primary servicer. We consolidated the SPE as we were deemed the primary beneficiary of the entity based upon our level of continuing involvement. Our role as primary servicer gave us the power to direct the activities of the SPE that most significantly affect its economic performance and our holding of retained interests gave us the obligation to absorb expected losses, or the ability to receive residual returns that could be potentially significant to the SPE. The underlying assets of the consolidated SPE were restricted only for payment of the beneficial interests issued by the SPE. Additionally, creditors of the SPE have no direct recourse to PNC.

During the first quarter of 2012, the last series issued by the SPE, Series 2007-1, matured. At September 30, 2014, the SPE continued to exist and we consolidated the entity as we continued to be the primary beneficiary of the SPE through our holding of seller s interest and our role as the primary servicer.

Tax Credit Investments and Other

We make certain equity investments in various tax credit limited partnerships or limited liability companies (LLCs). The purpose of these investments is to achieve a satisfactory return on capital and to assist us in achieving goals associated with the Community Reinvestment Act.

Also, we are a national syndicator of affordable housing equity. In these syndication transactions, we create funds in which our subsidiaries are the general partner or managing member and sell limited partnership or non-managing member interests to third parties. In some cases PNC may also

purchase a limited partnership or non-managing member interest in the fund. The purpose of this business is to generate income from the syndication of these funds, generate servicing fees by managing the funds, and earn tax credits to reduce our tax liability. General partner or managing member activities include identifying, evaluating, structuring, negotiating, and closing the fund investments in operating limited partnerships or LLCs, as well as oversight of the ongoing operations of the fund portfolio.

Typically, the general partner or managing member will be the party that has the right to make decisions that will most significantly impact the economic performance of the entity. However, certain partnership or LLC agreements provide the limited partner or non-managing member the ability to remove the general partner or managing member without cause. This results in the limited partner or non-managing member being the party that has the right to make decisions that will most significantly impact the economic performance of the entity. The primary sources of benefits for these investments are the tax credits and passive losses which reduce our tax liability. We have consolidated investments in which we have the power to direct the activities that most significantly impact the entity s performance, and have an obligation to absorb expected losses or receive benefits that could be potentially significant. The assets are primarily included in Equity investments and Other assets on our Consolidated Balance Sheet with the liabilities classified in Other borrowed funds, Accrued expenses, and Other liabilities and the third-party investors interests included in the Equity section as Noncontrolling interests. Neither creditors nor equity investors in these investments have any recourse to our general credit. The consolidated assets and liabilities of these investments are provided in Table 54 and are reflected in the Other business segment.

For tax credit investments in which we do not have the right to make decisions that will most significantly impact the economic performance of the entity, we are not the primary beneficiary and thus they are not consolidated. These investments are disclosed in Table 55. The table also reflects our maximum exposure to loss exclusive of any potential tax credit recapture. Our maximum exposure to loss is equal to our legally binding equity commitments adjusted for recorded impairment, partnership results, or amortization for qualifying low income housing tax credit investments when applicable.

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For all legally binding unfunded equity commitments, we increase our recognized investment and recognize a liability. As of September 30, 2014, we had a liability of $491 million related to investments in low income housing tax credits which is reflected in Other liabilities on our Consolidated Balance Sheet.

Table 55 also includes our involvement in lease financing transactions with LLCs engaged in solar power generation that to a large extent provided returns in the form of tax credits. The outstanding financings and operating lease assets are reflected as Loans and Other assets, respectively, on our Consolidated Balance Sheet, whereas related liabilities are reported in Deposits and Other liabilities.

Residential and Commercial Mortgage-Backed Securitizations

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

The first step in our assessment is to determine whether we hold a variable interest in the securitization SPE. We hold variable interests in Agency and Non-agency securitization SPEs through our holding of mortgage-backed securities issued by the SPEs and/or our recourse obligations. Each SPE in which we hold a variable interest is evaluated to determine whether we are the primary beneficiary of the entity. For Agency securitization transactions, our contractual role as servicer does not give us the power to direct the activities that most significantly affect the economic performance of the SPEs. Thus, we are not the primary beneficiary of these entities. For Non-agency securitization transactions, we would be the primary beneficiary to the extent our servicing activities give us the power to direct the activities that most significantly affect the economic performance of the SPE and we hold a more than insignificant variable interest in the entity.

Details about the Agency and Non-agency securitization SPEs where we hold a variable interest and are not the primary beneficiary are included in Table 55. Our maximum exposure to loss as a result of our involvement with these SPEs is the carrying value of the mortgage-backed securities, servicing assets, servicing advances, and our liabilities associated with our recourse obligations. Creditors of the securitization SPEs have no recourse to PNC s assets or general credit.

NOTE 3 LOANS AND COMMITMENTS TO EXTEND CREDIT

A summary of the major categories of loans outstanding follows:

Table 56: Loans Summary

In millions	September 30 2014	December 31 2013
Commercial lending		
Commercial	$ 93,500	$ 88,378
Commercial real estate	22,942	21,191
Equipment lease financing	7,621	7,576
Total commercial lending	124,063	117,145
Consumer lending		
Home equity	35,055	36,447
Residential real estate	14,351	15,065
Credit card	4,449	4,425
Other consumer	22,954	22,531
Total consumer lending	76,809	78,468
Total loans (a) (b)	$ 200,872	$ 195,613

(a) Net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $1.8 billion and $2.1 billion at September 30, 2014 and December 31, 2013, respectively.
(b) Future accretable yield related to purchased impaired loans is not included in the loans summary.

At September 30, 2014, we pledged $24.3 billion of commercial loans to the Federal Reserve Bank (FRB) and $49.0 billion of residential real estate and other loans to the Federal Home Loan Bank (FHLB) as collateral for the contingent ability to borrow, if necessary. The comparable amounts at December 31, 2013 were $23.4 billion and $40.4 billion, respectively.

Table 57: Net Unfunded Loan Commitments

In millions	September 30 2014	December 31 2013
Total commercial lending	$ 96,815	$ 90,104
Home equity lines of credit	18,029	18,754
Credit card	17,659	16,746
Other	4,292	4,266
Total (a)	$ 136,795	$ 129,870

(a) Excludes standby letters of credit. See Note 17 Commitments and Guarantees for additional information on standby letters of credit.

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. These commitments generally have fixed expiration dates, may require payment of a fee, and contain termination clauses in the event the customer s credit quality deteriorates. Based on our historical experience, some commitments expire unfunded, and therefore cash requirements are substantially less than the total commitment.

NOTE 4 ASSET QUALITY

Asset Quality

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency rates may be a key indicator, among other considerations, of credit risk within the loan portfolios. The measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies exclude loans held for sale, purchased impaired loans, nonperforming loans and fair value option nonaccrual loans, but include government insured or guaranteed loans and accruing loans accounted for under the fair value option.

The trends in nonperforming assets represent another key indicator of the potential for future credit losses. Nonperforming assets include nonperforming loans, OREO and foreclosed assets. Nonperforming loans are those loans accounted for at amortized cost that credit quality has deteriorated to the extent that full collection of contractual principal and interest is not probable. Interest income is not recognized on these loans. Loans accounted for under the fair value option are reported as performing loans as these loans are accounted for at fair value. However, when nonaccrual criteria is met, interest income is not recognized on these loans. Additionally, certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest. Purchased impaired loans are excluded from nonperforming loans as we are currently accreting interest income over the expected life of the loans. See Note 5 Purchased Loans for further information.

See Note 1 Accounting Policies for additional delinquency, nonperforming, and charge-off information.

The following tables display the delinquency status of our loans and our nonperforming assets at September 30, 2014 and December 31, 2013, respectively.

Table 58: Analysis of Loan Portfolio (a)

		Accruing							
Dollars in millions	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due (b)	Nonperforming Loans	Fair Value Option Nonaccrual Loans (c)	Purchased Impaired	Total Loans
September 30, 2014									
Commercial	$ 92,994	$ 46	$ 19	$ 39	$ 104	$ 320		$ 82	$ 93,500
Commercial real estate	22,170	47	6	1	54	395		323	22,942
Equipment lease financing	7,613	4	1		5	3			7,621
Home equity	31,808	67	25		92	1,090		2,065	35,055
Residential real estate (d)	9,614	163	65	809	1,037	743	$ 260	2,697	14,351
Credit card	4,372	27	18	29	74	3			4,449
Other consumer (e)	22,256	220	120	300	640	58			22,954
Total	$ 190,827	$ 574	$ 254	$ 1,178	$ 2,006	$ 2,612	$ 260	$ 5,167	$ 200,872
Percentage of total loans	94.99%	.29%	.13%	.59%	1.01%	1.30%	.13%	2.57%	100.00%
December 31, 2013									
Commercial	$ 87,621	$ 81	$ 20	$ 42	$ 143	$ 457		$ 157	$ 88,378
Commercial real estate	20,090	54	11	2	67	518		516	21,191
Equipment lease financing	7,538	31	2		33	5			7,576
Home equity	32,877	86	34		120	1,139		2,311	36,447
Residential real estate (d)	9,311	217	87	1,060	1,364	904	$ 365	3,121	15,065
Credit card	4,339	29	19	34	82	4			4,425

Other consumer (e)	21,788	216	112	353	681	61		1	22,531
Total	$ 183,564	$ 714	$ 285	$ 1,491	$ 2,490	$ 3,088	$ 365	$ 6,106	$ 195,613
Percentage of total loans	93.83%	.37%	.15%	.76%	1.28%	1.58%	.19%	3.12%	100.00%

(a) Amounts in table represent recorded investment and exclude loans held for sale.

(b) Past due loan amounts exclude purchased impaired loans, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we are currently accreting interest income over the expected life of the loans.

(c) Consumer loans accounted for under the fair value option for which we do not expect to collect substantially all principal and interest are subject to nonaccrual accounting and classification upon meeting any of our nonaccrual policies. Given that these loans are not accounted for at amortized cost, these loans have been excluded from the nonperforming loan population.

(d) Past due loan amounts at September 30, 2014 include government insured or guaranteed Residential real estate mortgages totaling $76 million for 30 to 59 days past due, $41 million for 60 to 89 days past due and $785 million for 90 days or more past due. Past due loan amounts at December 31, 2013 include government insured or guaranteed Residential real estate mortgages totaling $105 million for 30 to 59 days past due, $57 million for 60 to 89 days past due and $1,025 million for 90 days or more past due.

(e) Past due loan amounts at September 30, 2014 include government insured or guaranteed Other consumer loans totaling $164 million for 30 to 59 days past due, $100 million for 60 to 89 days past due and $287 million for 90 days or more past due. Past due loan amounts at December 31, 2013 include government insured or guaranteed Other consumer loans totaling $154 million for 30 to 59 days past due, $94 million for 60 to 89 days past due and $339 million for 90 days or more past due.

Table 59: Nonperforming Assets

Dollars in millions	September 30 2014	December 31 2013
Nonperforming loans		
Commercial lending		
Commercial	$ 320	$ 457
Commercial real estate	395	518
Equipment lease financing	3	5
Total commercial lending	718	980
Consumer lending (a)		
Home equity	1,090	1,139
Residential real estate	743	904
Credit card	3	4
Other consumer	58	61
Total consumer lending	1,894	2,108
Total nonperforming loans (b)	2,612	3,088
OREO and foreclosed assets		
Other real estate owned (OREO) (c)	353	360
Foreclosed and other assets	10	9
Total OREO and foreclosed assets	363	369
Total nonperforming assets	$ 2,975	$ 3,457
Nonperforming loans to total loans	1.30%	1.58%
Nonperforming assets to total loans, OREO and foreclosed assets	1.48	1.76
Nonperforming assets to total assets	.89	1.08

(a) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.
(c) OREO excludes $214 million and $245 million at September 30, 2014 and December 31, 2013, respectively, related to commercial and residential real estate that was acquired by us upon foreclosure of serviced loans because they are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) or guaranteed by the Department of Housing and Urban Development (HUD).

Nonperforming loans also include certain loans whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. In accordance with applicable accounting guidance, these loans are considered TDRs. See Note 1 Accounting Policies and the TDR section of this Note 4 for additional information. For the nine months ended September 30, 2014, $.9 billion of Consumer loans held for sale, loans accounted for under the fair value option, pooled purchased impaired loans, as well as certain government insured or guaranteed loans which were evaluated for TDR consideration, are not classified as TDRs. The comparable amount for the nine months ended September 30, 2013 was $2.4 billion.

Total nonperforming loans in the nonperforming assets table above include TDRs of $1.3 billion at September 30, 2014 and $1.5 billion at December 31, 2013. TDRs that are performing, including all credit card TDR loans, totaled $1.3 billion and

$1.2 billion at September 30, 2014 and December 31, 2013, respectively, and are excluded from nonperforming loans. Generally, these loans have demonstrated a period of at least six months of consecutive performance under the restructured terms. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC are not returned to accrual status. At September 30, 2014 and December 31, 2013, remaining commitments to lend additional funds to debtors in a commercial or consumer TDR were immaterial.

Additional Asset Quality Indicators

We have two overall portfolio segments Commercial Lending and Consumer Lending. Each of these two segments is comprised of multiple loan classes. Classes are characterized by similarities in initial measurement, risk attributes and the manner in which we monitor and assess credit risk. The Commercial Lending segment is comprised of the commercial, commercial real estate, equipment lease financing, and commercial purchased impaired loan classes. The Consumer Lending segment is comprised of the home equity, residential real estate, credit card, other consumer, and consumer purchased impaired loan classes. Asset quality indicators for each of these loan classes are discussed in more detail below.

Commercial Lending Asset Classes

Commercial Loan Class

For commercial loans, we monitor the performance of the borrower in a disciplined and regular manner based upon the level of credit risk inherent in the loan. To evaluate the level of credit risk, we assign an internal risk rating reflecting the borrower s PD and LGD. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process on an ongoing basis. These ratings are reviewed and updated on a risk-adjusted basis, generally at least once per year. Additionally, no less frequently than on an annual basis, we review PD rates related to each rating grade based upon internal historical data. These rates are updated as needed and augmented by market data as deemed necessary. For small balance homogenous pools of commercial loans, mortgages and leases, we apply statistical modeling to assist in determining the probability of default within these pools. Further, on a periodic basis, we update our LGD estimates associated with each rating grade based upon historical data. The combination of the PD and LGD ratings assigned to a commercial loan, capturing both the combination of expectations of default and loss severity in event of default, reflects the relative estimated likelihood of loss for that loan at the reporting date. In general, loans with better PD and LGD tend to have a lower likelihood of loss compared to loans with worse PD and LGD. The loss amount also considers exposure at date of default, which we also periodically update based upon historical data.

Based upon the amount of the lending arrangement and our risk rating assessment, we follow a formal schedule of written periodic review. On a quarterly basis, we conduct formal reviews of a market s or business unit s entire loan portfolio, focusing on those loans which we perceive to be of higher risk, based upon PDs and LGDs, or loans for which credit quality is weakening. If circumstances warrant, it is our practice to review any customer obligation and its level of credit risk more frequently. We attempt to proactively manage our loans by using various procedures that are customized to the risk of a given loan, including ongoing outreach, contact, and assessment of obligor financial conditions, collateral inspection and appraisal.

Commercial Real Estate Loan Class

We manage credit risk associated with our commercial real estate projects and commercial mortgage activities similar to commercial loans by analyzing PD and LGD. Additionally, risks connected with commercial real estate projects and commercial mortgage activities tend to be correlated to the loan structure and collateral location, project progress and business environment. As a result, these attributes are also monitored and utilized in assessing credit risk.

As with the commercial class, a formal schedule of periodic review is also performed to assess market/geographic risk and business unit/industry risk. Often as a result of these overviews, more in-depth reviews and increased scrutiny are placed on areas of higher risk, including adverse changes in risk ratings, deteriorating operating trends, and/or areas that concern management. These reviews are designed to assess risk and take actions to mitigate our exposure to such risks.

Equipment Lease Financing Loan Class

We manage credit risk associated with our equipment lease financing class similar to commercial loans by analyzing PD and LGD.

Based upon the dollar amount of the lease and of the level of credit risk, we follow a formal schedule of periodic review. Generally, this occurs quarterly, although we have established practices to review such credit risk more frequently if circumstances warrant. Our review process entails analysis of the following factors: equipment value/residual value, exposure levels, jurisdiction risk, industry risk, guarantor requirements, and regulatory compliance.

Commercial Purchased Impaired Loan Class

Estimates of the expected cash flows primarily determine the valuation of commercial purchased impaired loans. Commercial cash flow estimates are influenced by a number of credit related items, which include but are not limited to: estimated collateral value, receipt of additional collateral, secondary trading prices, circumstances of possible and/or ongoing liquidation, capital availability, business operations and payment patterns.

We attempt to proactively manage these factors by using various procedures that are customized to the risk of a given loan. These procedures include a review by our Special Asset Committee (SAC), ongoing outreach, contact, and assessment of obligor financial conditions, collateral inspection and appraisal.

See Note 5 Purchased Loans for additional information.

Table 60: Commercial Lending Asset Quality Indicators (a) (b)

		Criticized Commercial Loans			
In millions	Pass Rated	Special Mention (c)	Substandard (d)	Doubtful (e)	Total Loans
September 30, 2014					
Commercial	$ 88,809	$ 2,133	$ 2,421	$ 55	$ 93,418
Commercial real estate	21,626	183	770	40	22,619
Equipment lease financing	7,436	70	113	2	7,621

Purchased impaired loans		4	363	38	405
Total commercial lending	$ 117,871	$ 2,390	$ 3,667	$ 135	$ 124,063
December 31, 2013					
Commercial	$ 83,903	$ 1,894	$ 2,352	$ 72	$ 88,221
Commercial real estate	19,175	301	1,113	86	20,675
Equipment lease financing	7,403	77	93	3	7,576
Purchased impaired loans	10	31	469	163	673
Total commercial lending	$ 110,491	$ 2,303	$ 4,027	$ 324	$ 117,145

(a) Based upon PDs and LGDs. We apply a split rating classification to certain loans meeting threshold criteria. By assigning a split classification, a loan s exposure amount may be split into more than one classification category in the above table.

(b) Loans are included above based on the Regulatory Classification definitions of Pass , Special Mention , Substandard and Doubtful .

(c) Special Mention rated loans have a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects at some future date. These loans do not expose us to sufficient risk to warrant a more adverse classification at this time.

(d) Substandard rated loans have a well-defined weakness or weaknesses that jeopardize the collection or liquidation of debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

(e) Doubtful rated loans possess all the inherent weaknesses of a Substandard loan with the additional characteristics that the weakness makes collection or liquidation in full improbable due to existing facts, conditions, and values.

Consumer Lending Asset Classes

Home Equity and Residential Real Estate Loan Classes

We use several credit quality indicators, including delinquency information, nonperforming loan information, updated credit scores, originated and updated LTV ratios, and geography, to monitor and manage credit risk within the home equity and residential real estate loan classes. We evaluate mortgage loan performance by source originators and loan servicers. A summary of asset quality indicators follows:

Delinquency/Delinquency Rates: We monitor trending of delinquency/delinquency rates for home equity and residential real estate loans. See the Asset Quality section of this Note 4 for additional information.

Nonperforming Loans: We monitor trending of nonperforming loans for home equity and residential real estate loans. See the Asset Quality section of this Note 4 for additional information.

Credit Scores: We use a national third-party provider to update FICO credit scores for home equity loans and lines of credit and residential real estate loans at least quarterly. The updated scores are incorporated into a series of credit management reports, which are utilized to monitor the risk in the loan classes.

LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions): At least semi-annually, we update the property values of real estate collateral and calculate an updated LTV ratio. For open-end credit lines secured by real estate in regions experiencing significant declines in property values, more frequent valuations may occur. We examine LTV migration and stratify LTV into categories to monitor the risk in the loan classes.

Historically, we used, and we continue to use, a combination of original LTV and updated LTV for internal risk management and reporting purposes (*e.g.*, line management, loss mitigation strategies). In addition to the fact that estimated property values by their nature are estimates, given certain data limitations it is important to note that updated LTVs may be based upon management s assumptions (*e.g.*, if an updated LTV is not provided by the third-party service provider, home price index (HPI) changes will be incorporated in arriving at management s estimate of updated LTV).

Geography: Geographic concentrations are monitored to evaluate and manage exposures. Loan purchase programs are sensitive to, and focused within, certain regions to manage geographic exposures and associated risks.

A combination of updated FICO scores, originated and updated LTV ratios and geographic location assigned to home equity loans and lines of credit and residential real estate loans is used to monitor the risk in the loan classes. Loans with higher FICO scores and lower LTVs tend to have a lower level of risk. Conversely, loans with lower FICO scores, higher LTVs, and in certain geographic locations tend to have a higher level of risk.

Consumer Purchased Impaired Loan Class

Estimates of the expected cash flows primarily determine the valuation of consumer purchased impaired loans. Consumer cash flow estimates are influenced by a number of credit related items, which include, but are not limited to: estimated real estate values, payment patterns, updated FICO scores, the current economic environment, updated LTV ratios and the date of origination. These key factors are monitored to help ensure that concentrations of risk are mitigated and cash flows are maximized.

See Note 5 Purchased Loans for additional information.

Table 61: Home Equity and Residential Real Estate Balances

In millions	September 30 2014	December 31 2013
Home equity and residential real estate loans excluding purchased impaired loans (a)	$ 43,382	$ 44,376
Home equity and residential real estate loans purchased impaired loans (b)	4,795	5,548
Government insured or guaranteed residential real estate mortgages (a)	1,262	1,704

Purchase accounting adjustments purchased impaired loans	(33)	(116)
Total home equity and residential real estate loans (a)	$ 49,406	$ 51,512

(a) Represents recorded investment.
(b) Represents outstanding balance.

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Table 62: Home Equity and Residential Real Estate Asset Quality Indicators Excluding Purchased Impaired Loans (a) (b)

September 30, 2014 in millions	Home Equity 1st Liens	Home Equity 2nd Liens	Residential Real Estate	Total
Current estimated LTV ratios (c)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 373	$ 1,564	$ 420	$ 2,357
Less than or equal to 660 (d) (e)	61	309	111	481
Missing FICO	2	10	8	20
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	894	2,369	837	4,100
Less than or equal to 660 (d) (e)	123	411	181	715
Missing FICO	3	5	14	22
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	946	1,790	821	3,557
Less than or equal to 660	109	273	116	498
Missing FICO	1	3	8	12
Less than 90% and updated FICO scores:				
Greater than 660	13,704	7,738	7,175	28,617
Less than or equal to 660	1,298	964	585	2,847
Missing FICO	26	14	115	155
Missing LTV and updated FICO scores:				
Greater than 660			1	1
Total home equity and residential real estate loans	$ 17,540	$ 15,450	$ 10,392	$ 43,382

December 31, 2013 in millions	Home Equity 1st Liens	Home Equity 2nd Liens	Residential Real Estate	Total
Current estimated LTV ratios (c)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 438	$ 1,914	$ 563	$ 2,915
Less than or equal to 660 (d) (e)	74	399	185	658
Missing FICO	1	11	20	32
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	987	2,794	1,005	4,786
Less than or equal to 660 (d) (e)	150	501	210	861
Missing FICO	2	5	32	39
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	1,047	1,916	844	3,807
Less than or equal to 660	134	298	131	563
Missing FICO	2	3	22	27
Less than 90% and updated FICO scores:				
Greater than 660	13,445	7,615	6,309	27,369

Less than or equal to 660	1,349	1,009	662	3,020
Missing FICO	25	17	256	298
Missing LTV and updated FICO scores:				
Greater than 660			1	1
Total home equity and residential real estate loans	$ 17,654	$ 16,482	$ 10,240	$ 44,376

(a) Excludes purchased impaired loans of approximately $4.8 billion and $5.4 billion in recorded investment, certain government insured or guaranteed residential real estate mortgages of approximately $1.3 billion and $1.7 billion, and loans held for sale at September 30, 2014 and December 31, 2013, respectively. See the Home Equity and Residential Real Estate Asset Quality Indicators Purchased Impaired Loans table below for additional information on purchased impaired loans.

(b) Amounts shown represent recorded investment.

(c) Based upon updated LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions). Updated LTV is estimated using modeled property values. These ratios are updated at least semi-annually. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models (AVMs), broker price opinions (BPOs), HPI indices, property location, internal and external balance information, origination data and management assumptions. In cases where we are in an originated second lien position, we generally utilize origination balances provided by a third-party which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of these calculations do not represent actual appraised loan level collateral or updated LTV based upon a current first lien balance, and as such, are necessarily imprecise and subject to change as we enhance our methodology.

(d) Higher risk loans are defined as loans with both an updated FICO score of less than or equal to 660 and an updated LTV greater than or equal to 100%.

(e) The following states had the highest percentage of higher risk loans at September 30, 2014: New Jersey 14%, Pennsylvania 12%, Illinois 12%, Ohio 11%, Florida 9%, Maryland 5%, Michigan 5% and California 4%. The remainder of the states had lower than 4% of the higher risk loans individually, and collectively they represent approximately 28% of the higher risk loans. The following states had the highest percentage of higher risk loans at December 31, 2013: New Jersey 13%, Illinois 12%, Pennsylvania 12%, Ohio 11%, Florida 9%, Maryland 5%, Michigan 5%, and California 4%. The remainder of the states had lower than 4% of the high risk loans individually, and collectively they represent approximately 29% of the higher risk loans.

Table 63: Home Equity and Residential Real Estate Asset Quality Indicators Purchased Impaired Loans (a)

September 30, 2014 in millions	Home Equity (b) (c) 1st Liens	Home Equity (b) (c) 2nd Liens	Residential Real Estate (b) (c)	Total
Current estimated LTV ratios (d)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 9	$ 309	$ 311	$ 629
Less than or equal to 660	8	150	176	334
Missing FICO		8	6	14
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	16	472	306	794
Less than or equal to 660	15	211	227	453
Missing FICO		12	7	19
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	14	206	185	405
Less than or equal to 660	9	94	130	233
Missing FICO		6	5	11
Less than 90% and updated FICO scores:				
Greater than 660	102	291	616	1,009
Less than or equal to 660	111	182	531	824
Missing FICO	1	11	20	32
Missing LTV and updated FICO scores:				
Greater than 660	2		14	16
Less than or equal to 660	4		15	19
Missing FICO	1		2	3
Total home equity and residential real estate loans	$ 292	$ 1,952	$ 2,551	$ 4,795

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December 31, 2013 in millions	Home Equity (b) (c) 1st Liens	2nd Liens	Residential Real Estate (b) (c)	Total
Current estimated LTV ratios (d)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 13	$ 435	$ 361	$ 809
Less than or equal to 660	15	215	296	526
Missing FICO		12	24	36
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	21	516	373	910
Less than or equal to 660	15	239	281	535
Missing FICO		14	14	28
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	15	202	197	414
Less than or equal to 660	12	101	163	276
Missing FICO		7	6	13
Less than 90% and updated FICO scores:				
Greater than 660	93	261	646	1,000
Less than or equal to 660	126	198	590	914
Missing FICO	1	11	47	59
Missing LTV and updated FICO scores:				
Greater than 660	1		11	12
Less than or equal to 660			13	13
Missing FICO			3	3
Total home equity and residential real estate loans	$ 312	$ 2,211	$ 3,025	$ 5,548

(a) Amounts shown represent outstanding balance. See Note 5 Purchased Loans for additional information.

(b) For the estimate of cash flows utilized in our purchased impaired loan accounting, other assumptions and estimates are made, including amortization of first lien balances, pre-payment rates, etc., which are not reflected in this table.

(c) The following states had the highest percentage of purchased impaired loans at September 30, 2014: California 17%, Florida 15%, Illinois 11%, Ohio 8%, North Carolina 7%, and Michigan 5%. The remainder of the states had lower than a 4% concentration of purchased impaired loans individually, and collectively they represent approximately 37% of the purchased impaired portfolio. The following states had the highest percentage of purchased impaired loans at December 31, 2013: California 17%, Florida 16%, Illinois 11%, Ohio 8%, North Carolina 8% and Michigan 5%. The remainder of the states had lower than a 4% concentration of purchased impaired loans individually, and collectively they represent approximately 35% of the purchased impaired portfolio.

(d) Based upon updated LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions). Updated LTV is estimated using modeled property values. These ratios are updated at least semi-annually. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models (AVMs), broker price opinions (BPOs), HPI indices, property location, internal and external balance information, origination data and management assumptions. In cases where we are in an originated second lien position, we generally utilize origination balances provided by a third-party which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of these calculations do not represent actual appraised loan level collateral or updated LTV based upon a current first lien balance, and as such, are necessarily imprecise and subject to change as we enhance our methodology.

Credit Card and Other Consumer Loan Classes

We monitor a variety of asset quality information in the management of the credit card and other consumer loan classes. Other consumer loan classes include education, automobile, and other secured and unsecured lines and loans. Along with the trending of delinquencies and losses for each class, FICO credit score updates are generally obtained monthly, as well as a variety of credit bureau attributes. Loans with high FICO scores tend to have a lower likelihood of loss. Conversely, loans with low FICO scores tend to have a higher likelihood of loss.

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Table 64: Credit Card and Other Consumer Loan Classes Asset Quality Indicators

	Credit Card (a)		Other Consumer (b)	
Dollars in millions	Amount	% of Total Loans Using FICO Credit Metric	Amount	% of Total Loans Using FICO Credit Metric
September 30, 2014				
FICO score greater than 719	$ 2,585	58%	$ 9,182	64%
650 to 719	1,262	29	3,462	24
620 to 649	197	4	520	4
Less than 620	228	5	603	4
No FICO score available or required (c)	177	4	522	4
Total loans using FICO credit metric	4,449	100%	14,289	100%
Consumer loans using other internal credit metrics (b)			8,665	
Total loan balance	$ 4,449		$ 22,954	
Weighted-average updated FICO score (d)		731		744
December 31, 2013 (e)				
FICO score greater than 719	$ 2,546	58%	$ 8,596	63%
650 to 719	1,253	28	3,511	26
620 to 649	203	4	527	4
Less than 620	258	6	628	4
No FICO score available or required (c)	165	4	474	3
Total loans using FICO credit metric	4,425	100%	13,736	100%
Consumer loans using other internal credit metrics (b)			8,795	
Total loan balance	$ 4,425		$ 22,531	
Weighted-average updated FICO score (d)		730		741

(a) At September 30, 2014, we had $30 million of credit card loans that are higher risk (i.e., loans with both updated FICO scores less than 660 and in late stage (90+ days) delinquency status). The majority of the September 30, 2014 balance related to higher risk credit card loans is geographically distributed throughout the following areas: Ohio 18%, Pennsylvania 17%, Michigan 9%, New Jersey 8%, Illinois 7%, Indiana 7%, Florida 5%, Kentucky 4% and North Carolina 4%. All other states had less than 4% individually and make up the remainder of the balance. At December 31, 2013, we had $35 million of credit card loans that are higher risk. The majority of the December 31, 2013 balance related to higher risk credit card loans is geographically distributed throughout the following areas: Ohio 18%, Pennsylvania 17%, Michigan 11%, Illinois 7%, New Jersey 7%, Indiana 6%, Florida 6% and Kentucky 4%. All other states had less than 4% individually and make up the remainder of the balance.

(b) Other consumer loans for which updated FICO scores are used as an asset quality indicator include non-government guaranteed or insured education loans, automobile loans and other secured and unsecured lines and loans. Other consumer loans for which other internal credit metrics are used as an asset quality indicator include primarily government guaranteed or insured education loans, as well as consumer loans to high net worth individuals. Other internal credit metrics may include delinquency status, geography or other factors.

(c) Credit card loans and other consumer loans with no FICO score available or required generally refers to new accounts issued to borrowers with limited credit history, accounts for which we cannot obtain an updated FICO (*e.g.*, recent profile changes), cards issued with a business name, and/or cards secured by collateral. Management proactively assesses the risk and size of this loan portfolio and, when necessary, takes actions to mitigate the credit risk.

(d) Weighted-average updated FICO score excludes accounts with no FICO score available or required.

(e) In the second quarter of 2014, we corrected our credit card FICO score determination process by further refining the data which impacted FICO scores greater than 719, 650 to 719, 620 to 649, less than 620 and no FICO score available. This resulted in a reclass in the prior period of $242 million from No FICO score available or required to the other line items. The majority of the reclass went to the FICO score greater than 719 category.

Troubled Debt Restructurings (TDRs)

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities, and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization, and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. In those situations where principal is forgiven, the amount of such principal forgiveness is immediately charged off.

Some TDRs may not ultimately result in the full collection of principal and interest, as restructured, and result in potential incremental losses. These potential incremental losses have been factored into our overall ALLL estimate. The level of any subsequent defaults will likely be affected by future economic conditions. Once a loan becomes a TDR, it will continue to be reported as a TDR until it is ultimately repaid in full, the collateral is foreclosed upon, or it is fully charged off. We held specific reserves in the ALLL of $.4 billion and $.5 billion at September 30, 2014 and December 31, 2013, respectively, for the total TDR portfolio.

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Table 65: Summary of Troubled Debt Restructurings

In millions	Sept. 30 2014	December 31 2013
Total consumer lending	$ 2,064	$ 2,161
Total commercial lending	552	578
Total TDRs	$ 2,616	$ 2,739
Nonperforming	$ 1,303	$ 1,511
Accruing (a)	1,174	1,062
Credit card	139	166
Total TDRs	$ 2,616	$ 2,739

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

Table 66 quantifies the number of loans that were classified as TDRs as well as the change in the recorded investments as a result of the TDR classification during the first nine months of 2014 and 2013. Additionally, the table provides information about the types of TDR concessions. The Principal Forgiveness TDR category includes principal forgiveness and accrued interest forgiveness. These types of TDRs result in a write down of the recorded investment and a charge-off if such action has not already taken place. The Rate Reduction TDR category includes reduced interest rate and interest deferral. The TDRs within this category would result in

reductions to future interest income. The Other TDR category primarily includes consumer borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC, as well as postponement/reduction of scheduled amortization and contractual extensions for both consumer and commercial borrowers.

In some cases, there have been multiple concessions granted on one loan. This is most common within the commercial loan portfolio. When there have been multiple concessions granted in the commercial loan portfolio, the principal forgiveness TDR was prioritized for purposes of determining the inclusion in the table below. For example, if there is principal forgiveness in conjunction with lower interest rate and postponement of amortization, the type of concession will be reported as Principal Forgiveness. Second in priority would be rate reduction. For example, if there is an interest rate reduction in conjunction with postponement of amortization, the type of concession will be reported as a Rate Reduction. In the event that multiple concessions are granted on a consumer loan, concessions resulting from discharge from personal liability through Chapter 7 bankruptcy without formal affirmation of the loan obligations to PNC would be prioritized and included in the Other type of concession in the table below. After that, consumer loan concessions would follow the previously discussed priority of concessions for the commercial loan portfolio.

Table 66: Financial Impact and TDRs by Concession Type (a)

During the three months ended September 30, 2014		Pre-TDR	Post-TDR Recorded Investment (c)			
Dollars in millions	Number of Loans	Recorded Investment (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial lending						
Commercial	35	$ 39	$ 2	$ 8	$ 14	$ 24
Commercial real estate	19	63	2	1	54	57
Total commercial lending (d)	54	102	4	9	68	81
Consumer lending						
Home equity	942	66		12	52	64
Residential real estate	159	18		8	8	16
Credit card	1,860	15		15		15
Other consumer	307	5			4	4

Total consumer lending	3,268	104		35	64	99
Total TDRs	3,322	$ 206	$ 4	$ 44	$ 132	$ 180

During the three months ended September 30, 2013

Dollars in millions						
Commercial lending						
Commercial	51	$ 60	$ 6	$ 2	$ 46	$ 54
Commercial real estate	24	43	4	1	24	29
Total commercial lending (d)	75	103	10	3	70	83
Consumer lending						
Home equity	963	59		26	30	56
Residential real estate	186	26		11	16	27
Credit card	2,235	17		17		17
Other consumer	253	4			3	3
Total consumer lending	3,637	106		54	49	103
Total TDRs	3,712	$ 209	$ 10	$ 57	$ 119	$ 186

(a) Impact of partial charge-offs at TDR date are included in this table.
(b) Represents the recorded investment of the loans as of the quarter end immediately preceding TDR designation, and excludes immaterial amounts of accrued interest receivable.
(c) Represents the recorded investment of the TDRs as of the quarter end and immediately following the TDR designation, and excludes immaterial amounts of accrued interest receivable.
(d) During the three months ended September 30, 2014 and 2013, there were no loans classified as TDRs in the Equipment lease financing loan class.

Table 66: Financial Impact and TDRs by Concession Type (Continued) (a)

During the nine months ended September 30, 2014		Pre-TDR	Post-TDR Recorded Investment (c)			
Dollars in millions	Number of Loans	Recorded Investment (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial lending						
Commercial	98	$ 128	$ 5	$ 12	$ 92	$ 109
Commercial real estate	65	144	21	5	97	123
Total commercial lending (d)	163	272	26	17	189	232
Consumer lending						
Home equity	2,334	158		41	108	149
Residential real estate	439	58		21	35	56
Credit card	5,226	43		41		41
Other consumer	794	13			10	10
Total consumer lending	8,793	272		103	153	256
Total TDRs	8,956	$ 544	$ 26	$ 120	$ 342	$ 488

During the nine months ended September 30, 2013						
Dollars in millions						
Commercial lending						
Commercial	130	$ 163	$ 9	$ 18	$ 99	$ 126
Commercial real estate	94	235	16	43	125	184
Equipment lease financing	1	3				
Total commercial lending	225	401	25	61	224	310
Consumer lending						
Home equity	3,086	219		108	91	199
Residential real estate	773	105		30	74	104
Credit card	6,660	50		1	18	19
Other consumer	1,171	19		1	16	17
Total consumer lending	11,690	393		140	199	339
Total TDRs	11,915	$ 794	$ 25	$ 201	$ 423	$ 649

(a) Impact of partial charge-offs at TDR date are included in this table.
(b) Represents the recorded investment of the loans as of the quarter end immediately preceding TDR designation, and excludes immaterial amounts of accrued interest receivable.
(c) Represents the recorded investment of the TDRs as of the quarter end and immediately following the TDR designation, and excludes immaterial amounts of accrued interest receivable.
(d) During the nine months ended September 30, 2014, there were no loans classified as TDRs in the Equipment lease financing loan class.

TDRs may result in charge-offs and interest income not being recognized. The amount of principal balance charged off at or around the time of modification for the nine months ended September 30, 2014 was not material. A financial effect of rate reduction TDRs is that interest income is not recognized for the difference between the original contractual interest rate terms and the restructured terms. Interest income not recognized that otherwise would have been earned in the nine months ended September 30, 2014 and 2013, related to all commercial TDRs and consumer TDRs, was not material.

After a loan is determined to be a TDR, we continue to track its performance under its most recent restructured terms. In Table 67, we consider a TDR to have subsequently defaulted when it becomes 60 days past due after the most recent date the loan was restructured. The following tables present the recorded investment of loans that were classified as TDRs or were subsequently modified during each 12-month period prior to the respective reporting periods and subsequently defaulted during the three months preceding July 1, 2014 and 2013, and nine months preceding January 1, 2014 and 2013, respectively.

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Table 67: TDRs that were Modified in the Past Twelve Months which have Subsequently Defaulted

During the three months ended September 30, 2014 Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	1	$ 1
Commercial real estate	13	14
Total commercial lending (a)	14	15
Consumer lending		
Home equity	99	4
Residential real estate	52	6
Credit card	1,665	14
Other consumer	31	
Total consumer lending	1,847	24
Total TDRs	1,861	$ 39

During the three months ended September 30, 2013 Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	20	$ 12
Commercial real estate	10	8
Total commercial lending (a)	30	20
Consumer lending (b)		
Home equity	155	9
Residential real estate	58	10
Credit card	1,099	9
Other consumer	79	1
Total consumer lending	1,391	29
Total TDRs	1,421	$ 49

(a) During the three months ended September 30, 2014 and 2013, there were no loans classified as TDRs in the Equipment lease financing loan class that have subsequently defaulted.

(b) In the second quarter of 2014, we corrected our Consumer lending subsequent default (excluding credit card) determination process by further refining the data. For the three months ended September 30, 2013, this correction removed 506 contracts for approximately $42 million from Total consumer lending (excluding credit card).

Table 67: TDRs that were Modified in the Past Twelve Months which have Subsequently Defaulted (Continued)

During the nine months ended September 30, 2014 Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	34	$ 23
Commercial real estate	34	45
Total commercial lending (a)	68	68
Consumer lending (b)		
Home equity	315	17
Residential real estate	128	20
Credit card	2,393	19
Other consumer	110	1
Total consumer lending	2,946	57
Total TDRs	3,014	$ 125

During the nine months ended September 30, 2013

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	46	$ 30
Commercial real estate	28	40
Total commercial lending (a)	74	70
Consumer lending (b)		
Home equity	455	30
Residential real estate	189	26
Credit card	3,275	24
Other consumer	171	3
Total consumer lending	4,090	83
Total TDRs	4,164	$ 153

(a) During the nine months ended September 30, 2014 and 2013, there were no loans classified as TDRs in the Equipment lease financing loan class that have subsequently defaulted.

(b) In the second quarter of 2014, we corrected our Consumer lending subsequent default (excluding credit card) determination process by further refining the data. For the nine months ended September 30, 2013, this correction removed 989 contracts for approximately $91 million from Total consumer lending (excluding credit card).

The impact to the ALLL for commercial lending TDRs is the effect of moving to the specific reserve methodology from the quantitative reserve methodology, described below, for those loans that were not already classified as nonaccrual. There is an impact to the ALLL as a result of the concession made, which generally results in a reduction of expected future cash flows. The decline in expected cash flows, consideration of collateral value, and/or the application of a present value discount rate, when compared to the recorded investment, results in a charge-off or increased ALLL. As TDRs are individually evaluated under the specific reserve methodology, which builds in expectations of future performance, generally subsequent defaults do not significantly impact the ALLL.

For consumer lending TDRs, except TDRs resulting from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC, the ALLL is calculated using a discounted cash flow model, which leverages subsequent default, prepayment, and severity rate assumptions based upon historically observed data. Similar to the commercial lending specific reserve methodology, the reduced expected cash flows resulting from the concessions granted impact the consumer lending ALLL. The decline in expected cash flows due to the application of a present value discount rate or the consideration of collateral value, when compared to the recorded investment, results in increased ALLL or a charge-off.

Impaired Loans

Impaired loans include commercial nonperforming loans and consumer and commercial TDRs, regardless of nonperforming status. TDRs that were previously recorded at amortized cost and are now classified and accounted for as held for sale are also included. Excluded from impaired loans are nonperforming leases, loans accounted for as held for sale other than the TDRs described in the preceding sentence, loans accounted for under the fair value option, smaller balance homogeneous type loans and purchased impaired loans. See Note 5 Purchased Loans for additional information. Nonperforming equipment lease financing loans of $3 million and $5 million at September 30, 2014 and December 31, 2013, respectively, are excluded from impaired loans pursuant to authoritative lease accounting guidance. We did not recognize any interest income on impaired loans that have not returned to performing status, while they were impaired during the nine months ended September 30, 2014 and September 30, 2013. The following table provides further detail on impaired loans individually evaluated for impairment and the associated ALLL. Certain commercial impaired loans and loans to consumers discharged from bankruptcy and not formally reaffirmed do not have a related ALLL as the valuation of these impaired loans exceeded the recorded investment.

Table 68: Impaired Loans

In millions	Unpaid Principal Balance	Recorded Investment (a)	Associated Allowance (b)	Average Recorded Investment (a)
September 30, 2014				
Impaired loans with an associated allowance				
Commercial	$ 424	$ 305	$ 64	$ 371
Commercial real estate	366	242	60	289
Home equity	1,016	989	287	987
Residential real estate	506	400	63	422
Credit card	139	139	30	152
Other consumer	65	48	2	52
Total impaired loans with an associated allowance	$ 2,516	$ 2,123	$ 506	$ 2,273
Impaired loans without an associated allowance				
Commercial	$ 171	$ 132	$	$ 145
Commercial real estate	376	275		298
Home equity	389	137		131
Residential real estate	380	351		377
Total impaired loans without an associated allowance	$ 1,316	$ 895	$	$ 951
Total impaired loans	$ 3,832	$ 3,018	$ 506	$ 3,224
December 31, 2013				
Impaired loans with an associated allowance				
Commercial	$ 549	$ 400	$ 90	$ 442
Commercial real estate	517	349	89	478
Home equity	999	992	334	900
Residential real estate	573	436	74	645
Credit card	166	166	36	189
Other consumer	71	57	2	68
Total impaired loans with an associated allowance	$ 2,875	$ 2,400	$ 625	$ 2,722
Impaired loans without an associated allowance				
Commercial	$ 309	$ 163	$	$ 161
Commercial real estate	421	315		354
Home equity	366	124		166
Residential real estate	415	386		267
Total impaired loans without an associated allowance	$ 1,511	$ 988	$	$ 948
Total impaired loans	$ 4,386	$ 3,388	$ 625	$ 3,670

(a) Recorded investment in a loan includes the unpaid principal balance plus accrued interest and net accounting adjustments, less any charge-offs. Recorded investment does not include any associated valuation allowance. Average recorded investment is for the nine months ended September 30, 2014 and the year ended December 31, 2013, respectively.

(b) Associated allowance amounts include $.4 billion and $.5 billion for TDRs at September 30, 2014 and December 31, 2013, respectively.

NOTE 5 PURCHASED LOANS

Purchased Impaired Loans

Purchased impaired loan accounting addresses differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. Several factors were considered when evaluating whether a loan was considered a purchased impaired loan, including the delinquency status of the loan, updated borrower credit status, geographic information, and updated LTV. GAAP allows purchasers to aggregate purchased impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Purchased impaired homogeneous consumer, residential real estate and smaller balance commercial loans with common risk characteristics are aggregated into pools where appropriate. For pooled loans, proceeds of individual loans are not applied individually to each loan within a pool, but to the pool s recorded investment since it is accounted for as a single asset. Upon final disposition of a loan within a pool (e.g., payoff, short-sale, foreclosure, etc.), the loan s carrying value is removed from the pool and any gains or losses associated with the transaction are retained in the pool s recorded investment. For example, upon final disposition of a loan by short-sale, the proceeds of the short-sale may be less (or more) than the loan s recorded investment. This shortfall or loss (excess or gain) is not accounted for as an individual loan sale in our income statement and is instead retained as part of the pool s recorded investment consistent with our accounting for the pool as a single asset. Accordingly, a pool s recorded investment includes the net accumulation of realized losses or gains attributable to these final dispositions. The recorded investment is evaluated for collectability based upon the net present value of the pools expected cash flows when establishing our allowance for loan losses. See Note 1 Accounting Policies and Note 6 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional information. Commercial loans with a total commitment greater than a defined threshold are accounted for individually. The excess of undiscounted cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized as interest income over the remaining life of the loan using the constant effective yield method. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Subsequent changes in the expected cash flows of individual or pooled purchased impaired loans will either impact the accretable yield or result in an impairment charge to provision for credit losses in the period in which the changes become probable. Decreases to the net present value of expected cash flows will generally result in an impairment charge recorded as a provision for credit losses, resulting in an increase to the allowance for loan and lease losses, and a reclassification from accretable yield to nonaccretable difference.

The following table provides purchased impaired loans at September 30, 2014 and December 31, 2013:

Table 69: Purchased Impaired Loans Balances

	September 30, 2014			December 31, 2013		
In millions	Outstanding Balance (a)	Recorded Investment	Carrying Value	Outstanding Balance (a)	Recorded Investment	Carrying Value
Commercial lending						
Commercial	$ 183	$ 82	$ 64	$ 282	$ 157	$ 131
Commercial real estate	390	323	245	655	516	409
Total commercial lending	573	405	309	937	673	540
Consumer lending						
Consumer	2,244	2,065	1,794	2,523	2,312	1,971
Residential real estate	2,551	2,697	2,173	3,025	3,121	2,591
Total consumer lending	4,795	4,762	3,967	5,548	5,433	4,562
Total	$ 5,368	$ 5,167	$ 4,276	$ 6,485	$ 6,106	$ 5,102

(a) Outstanding balance represents the balance on the loan servicing system for active loans. It is possible for the outstanding balance to be lower than the recorded investment for certain loans due to the use of pool accounting.

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During the first nine months of 2014, $86 million of provision recovery and $28 million (specifically for commercial loans greater than a defined threshold) of charge-offs were recorded on purchased impaired loans. The comparative amounts for the nine months ended September 30, 2013, were $59 million of provision and $95 million of charge-offs. At September 30, 2014, the allowance for loan and lease losses was $.9 billion on $4.7 billion of purchased impaired loans while the remaining $.5 billion of purchased impaired loans required no allowance as the net present value of expected cash flows equaled or exceeded the recorded investment. As of December 31, 2013, the allowance for loan and lease losses related to purchased impaired loans was $1.0 billion. If any allowance for loan losses is recognized on a purchased impaired pool, which is accounted for as a single asset, the entire balance of that pool would be disclosed as requiring an allowance. Subsequent increases in the net present value of cash flows will result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and/or a reclassification from non-accretable difference to accretable yield, which will be recognized prospectively. Individual loan transactions where final dispositions have occurred (as noted above) result in removal of the loans for cash flow estimation purposes. The cash flow re-estimation process is completed quarterly to evaluate the appropriateness of the allowance associated with the purchased impaired loans.

Activity for the accretable yield during the first nine months of 2014 and 2013 follows:

Table 70: Purchased Impaired Loans Accretable Yield

In millions	2014	2013
January 1	$ 2,055	$ 2,166
Accretion (including excess cash recoveries)	(449)	(539)
Net reclassifications to accretable from non-accretable (a)	237	577
Disposals	(24)	(20)
September 30	$ 1,819	$ 2,184

(a) Approximately 68% and 60% of the net reclassifications for the nine months ended September 30, 2014 and 2013, respectively, were within the consumer portfolio primarily due to increases in the expected average life of residential and home equity loans. The remaining net reclassifications were predominantly due to future cash flow improvements within the commercial portfolio.

NOTE 6 ALLOWANCES FOR LOAN AND LEASE LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We maintain the ALLL at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the portfolios as of the balance sheet date. We use the two main portfolio segments Commercial Lending and Consumer Lending and we develop and document the ALLL under separate methodologies for each of these segments as discussed in Note 1 Accounting Policies, the results of which are presented below.

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Table 71: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data

In millions	Commercial Lending	Consumer Lending	Total
September 30, 2014			
Allowance for Loan and Lease Losses			
January 1	$ 1,547	$ 2,062	$ 3,609
Charge-offs	(286)	(500)	(786)
Recoveries	230	143	373
Net charge-offs	(56)	(357)	(413)
Provision for credit losses	89	132	221
Net change in allowance for unfunded loan commitments and letters of credit	(9)		(9)
Other	(2)		(2)
September 30	$ 1,569	$ 1,837	$ 3,406
TDRs individually evaluated for impairment	$ 26	$ 382	$ 408
Other loans individually evaluated for impairment	98		98
Loans collectively evaluated for impairment	1,349	660	2,009
Purchased impaired loans	96	795	891
September 30	$ 1,569	$ 1,837	$ 3,406
Loan Portfolio			
TDRs individually evaluated for impairment (a)	$ 551	$ 2,064	$ 2,615
Other loans individually evaluated for impairment	402		402
Loans collectively evaluated for impairment (b)	122,705	68,966	191,671
Fair value option loans (c)		1,017	1,017
Purchased impaired loans	405	4,762	5,167
September 30	$ 124,063	$ 76,809	$ 200,872
Portfolio segment ALLL as a percentage of total ALLL	46%	54%	100%
Ratio of the allowance for loan and lease losses to total loans	1.26%	2.39%	1.70%
September 30, 2013			
Allowance for Loan and Lease Losses			
January 1	$ 1,774	$ 2,262	$ 4,036
Charge-offs (d)	(493)	(772)	(1,265)
Recoveries	266	111	377
Net charge-offs	(227)	(661)	(888)
Provision for credit losses	53	477	530
Net change in allowance for unfunded loan commitments and letters of credit	(4)	19	15
Other	(2)		(2)
September 30	$ 1,594	$ 2,097	$ 3,691
TDRs individually evaluated for impairment	$ 31	$ 479	$ 510
Other loans individually evaluated for impairment	176		176
Loans collectively evaluated for impairment	1,233	711	1,944
Purchased impaired loans	154	907	1,061
September 30	$ 1,594	$ 2,097	$ 3,691
Loan Portfolio			
TDRs individually evaluated for impairment (a)	$ 581	$ 2,221	$ 2,802
Other loans individually evaluated for impairment	786		786
Loans collectively evaluated for impairment (b)	112,286	69,475	181,761
Fair value option loans (c)		1,109	1,109
Purchased impaired loans	782	5,616	6,398
September 30	$ 114,435	$ 78,421	$ 192,856
Portfolio segment ALLL as a percentage of total ALLL	43%	57%	100%
Ratio of the allowance for loan and lease losses to total loans	1.39%	2.67%	1.91%

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(a) TDRs individually evaluated for impairment exclude TDRs that were subsequently accounted for as held for sale loans, but continue to be disclosed as TDRs.
(b) Includes $221 million of loans collectively evaluated for impairment based upon collateral values and written down to the respective collateral value less costs to sell at September, 30, 2014. Accordingly, there is no allowance recorded for these loans. The comparative amount as of September 30, 2013 was $274 million.
(c) Loans accounted for under the fair value option are not evaluated for impairment as these loans are accounted for at fair value, accordingly there is no allowance recorded on these loans.
(d) Pursuant to alignment with interagency guidance on practices for loans and lines of credit related to consumer lending in the first quarter of 2013, additional charge-offs of $134 million were taken.

Allowance for Unfunded Loan Commitments and Letters of Credit

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable credit losses on these unfunded credit facilities as of the balance sheet date as discussed in Note 1 Accounting Policies, the results of which are presented below.

Table 72: Rollforward of Allowance for Unfunded Loan Commitments and Letters of Credit

In millions	2014	2013
January 1	$ 242	$ 250
Net change in allowance for unfunded loan commitments and letters of credit	9	(15)
September 30	$ 251	$ 235

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NOTE 7 INVESTMENT SECURITIES

Table 73: Investment Securities Summary

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2014				
Securities Available for Sale				
Debt securities				
U.S. Treasury and government agencies	$ 5,176	$ 167		$ 5,343
Residential mortgage-backed				
Agency	17,844	391	$ (75)	18,160
Non-agency	4,904	336	(102)	5,138
Commercial mortgage-backed				
Agency	1,787	22	(17)	1,792
Non-agency	3,703	95	(10)	3,788
Asset-backed	5,064	87	(28)	5,123
State and municipal	1,978	80	(8)	2,050
Other debt	1,792	44	(7)	1,829
Total debt securities	42,248	1,222	(247)	43,223
Corporate stocks and other	391	7	(1)	397
Total securities available for sale	$ 42,639	$ 1,229	$ (248)	$ 43,620
Securities Held to Maturity (a)				
Debt securities				
U.S. Treasury and government agencies	$ 246	$ 30		$ 276
Residential mortgage-backed				
Agency	5,427	122	$ (21)	5,528
Non-agency	276	9		285
Commercial mortgage-backed				
Agency	1,252	50		1,302
Non-agency	1,068	14	(1)	1,081
Asset-backed	772	2	(7)	767
State and municipal	2,053	89		2,142
Other debt	325	5		330
Total securities held to maturity	$ 11,419	$ 321	$ (29)	$ 11,711
December 31, 2013				
Securities Available for Sale				
Debt securities				
U.S. Treasury and government agencies	$ 3,990	$ 135	$ (7)	$ 4,118
Residential mortgage-backed				
Agency (b)	21,556	367	(209)	21,714
Non-agency	5,457	308	(160)	5,605
Commercial mortgage-backed				
Agency (b)	1,745	32	(14)	1,763
Non-agency	3,937	123	(18)	4,042
Asset-backed	5,754	66	(48)	5,772
State and municipal	2,609	52	(44)	2,617
Other debt	2,506	55	(18)	2,543
Total debt securities	47,554	1,138	(518)	48,174
Corporate stocks and other	434		(1)	433
Total securities available for sale	$ 47,988	$ 1,138	$ (519)	$ 48,607
Securities Held to Maturity (a)				
Debt securities				
U.S. Treasury and government agencies	$ 239	$ 8	$ (4)	$ 243
Residential mortgage-backed				
Agency	5,814	71	(64)	5,821
Non-agency	293		(4)	289
Commercial mortgage-backed				
Agency	1,251	49		1,300
Non-agency	1,687	20	(5)	1,702

Asset-backed	1,009	2	(10)	1,001
State and municipal	1,055	10	(4)	1,061
Other debt	339	9		348
Total securities held to maturity	$ 11,687	$ 169	$ (91)	$ 11,765

(a) Held to maturity securities transferred from available for sale are included in held to maturity at fair value at the time of transfer. The amortized cost of held to maturity securities included net unrealized gains of $134 million and $111 million at September 30, 2014 and December 31, 2013, respectively, related to securities transferred, which are offset in Accumulated Other Comprehensive Income, net of tax.

(b) These line items were corrected for the prior period due to a misclassification of Government National Mortgage Association (GNMA) securities collateralized by project loans. $1.1 billion was previously reported as residential mortgage-backed agency securities and was reclassified to commercial mortgage-backed agency securities.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the securities available for sale portfolio are included in Shareholders equity as Accumulated other comprehensive income or loss, net of tax, unless credit-related. Securities held to maturity are carried at amortized cost. At September 30, 2014, Accumulated other comprehensive income included pretax gains of $62 million from derivatives that hedged the purchase of investment securities classified as held to maturity. The gains will be accreted into interest income as an adjustment of yield on the securities.

During the second quarter of 2014, we transferred securities with a fair value of $1.4 billion from available for sale to held to maturity. The securities transferred included $1.0 billion of state and municipal securities, $.2 billion of agency residential and commercial mortgage-backed securities, and $.2 billion of non-agency commercial mortgage-backed securities. The non-agency commercial mortgage-backed and state and municipal securities were all rated either AAA or AA. We changed our intent and committed to hold these high-quality securities to maturity in order to reduce the impact of price volatility on Accumulated other comprehensive income and certain capital measures, after taking into consideration market conditions. The securities were reclassified at fair value at the time of transfer and the transfer represented a non-cash transaction. Accumulated other comprehensive income included net pretax unrealized gains of $44 million at transfer, which are being accreted over the remaining life of the related securities as an adjustment of yield in a manner consistent with the amortization of the net premium on the same transferred securities, resulting in no impact on net income.

Table 74 presents gross unrealized losses on securities available for sale at September 30, 2014 and December 31, 2013. The securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more based on the point in time that the fair value declined below the amortized cost basis. The table includes debt securities where a portion of other-than-temporary impairment (OTTI) has been recognized in Accumulated other comprehensive income (loss).

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Table 74: Gross Unrealized Loss and Fair Value of Securities Available for Sale

	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
In millions	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
September 30, 2014						
Debt securities						
U.S. Treasury and government agencies	(a)	$ 371			(a)	$ 371
Residential mortgage-backed						
Agency	$ (7)	977	$ (68)	$ 2,283	$ (75)	3,260
Non-agency	(2)	255	(100)	1,552	(102)	1,807
Commercial mortgage-backed						
Agency	(4)	605	(13)	333	(17)	938
Non-agency	(5)	651	(5)	211	(10)	862
Asset-backed	(3)	814	(25)	1,002	(28)	1,816
State and municipal	(a)	75	(8)	290	(8)	365
Other debt	(3)	476	(4)	215	(7)	691
Total debt securities	(24)	4,224	(223)	5,886	(247)	10,110
Corporate stocks and other			(1)	15	(1)	15
Total	$ (24)	$ 4,224	$ (224)	$ 5,901	$ (248)	$ 10,125
December 31, 2013						
Debt securities						
U.S. Treasury and government agencies	$ (7)	$ 1,066			$ (7)	$ 1,066
Residential mortgage-backed						
Agency (b)	(198)	7,519	$ (11)	$ 287	(209)	7,806
Non-agency	(18)	855	(142)	1,719	(160)	2,574
Commercial mortgage-backed						
Agency (b)	(13)	454	(1)	6	(14)	460
Non-agency	(18)	1,315	(a)	14	(18)	1,329
Asset-backed	(11)	1,752	(37)	202	(48)	1,954
State and municipal	(23)	897	(21)	286	(44)	1,183
Other debt	(17)	844	(1)	12	(18)	856
Total debt securities	(305)	14,702	(213)	2,526	(518)	17,228
Corporate stocks and other	(1)	15			(1)	15
Total	$ (306)	$ 14,717	$ (213)	$ 2,526	$ (519)	$ 17,243

(a) The unrealized loss on these securities was less than $.5 million.

(b) These line items were corrected for the prior period due to a misclassification of Government National Mortgage Association (GNMA) securities collateralized by project loans. $1.1 billion was previously reported as residential mortgage-backed agency securities and was reclassified to commercial mortgage-backed agency securities.

The gross unrealized loss on debt securities held to maturity was $41 million at September 30, 2014 and $98 million at December 31, 2013. The majority of the gross unrealized loss at September 30, 2014 related to agency residential mortgage-backed securities. The fair value of debt securities held to maturity that were in a continuous loss position for less than 12 months was $.1 billion and $3.6 billion at September 30, 2014 and December 31, 2013, respectively, and positions that were in a continuous loss position for 12 months or more were $2.0 billion and $48 million at September 30, 2014 and December 31, 2013, respectively. For securities transferred to held to maturity from available for sale, the unrealized loss for purposes of this analysis is determined by comparing the security s original amortized cost to its current estimated fair value.

Evaluating Investment Securities for Other-than-Temporary Impairments

For the securities in the preceding Table 74, as of September 30, 2014 we do not intend to sell and believe we will not be required to sell the securities prior to recovery of the amortized cost basis.

At least quarterly, we conduct a comprehensive security-level assessment on all securities. For those securities in an unrealized loss position we determine if OTTI exists. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. An OTTI loss must be recognized for a debt security in an unrealized loss position if we intend to sell the security or it is more likely than not we will be required to sell the security prior to recovery of its amortized cost basis. In this situation, the amount of loss recognized in income is equal to the difference between the fair value and the amortized cost basis of the security. Even if we do not expect to sell the security, we must evaluate the expected cash flows to be received to determine if we believe a credit loss has occurred. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in income. The portion of the unrealized loss relating to other factors, such as liquidity conditions in the market or changes in market interest rates, is recorded in accumulated other comprehensive income (loss).

The security-level assessment is performed on each security, regardless of the classification of the security as available for sale or held to maturity. Our assessment considers the security structure, recent security collateral performance metrics if applicable, external credit ratings, failure of the issuer to make scheduled interest or principal payments, our judgment and expectations of future performance, and relevant independent industry research, analysis and forecasts. Results of the periodic assessment are reviewed by a cross-functional senior management team representing Asset & Liability Management, Finance, and Market Risk Management. The senior management team considers the results of the assessments, as well as other factors, in determining whether the impairment is other-than-temporary.

Substantially all of the credit impairment we have recognized relates to non-agency residential mortgage-backed securities and asset-backed securities collateralized by first-lien and second-lien non-agency residential mortgage loans. Potential credit losses on these securities are evaluated on a security-by-security basis. Collateral performance assumptions are developed for each security after reviewing collateral composition and collateral performance statistics. This includes analyzing recent delinquency roll rates, loss severities, voluntary prepayments and various other collateral and performance metrics. This information is then combined with general expectations on the housing market, employment and other macroeconomic factors to develop estimates of future performance.

Security level assumptions for prepayments, loan defaults and loss given default are applied to each non-agency residential mortgage-backed security and asset-backed security collateralized by first-lien and second-lien non-agency residential mortgage loans using a third-party cash flow model. The third-party cash flow model then generates projected cash flows according to the structure of each security. Based on the results of the cash flow analysis, we determine whether we expect that we will recover the amortized cost basis of our security.

The following table provides detail on the significant assumptions used to determine credit impairment for non-agency residential mortgage-backed and asset-backed securities collateralized by first-lien and second-lien non-agency residential mortgage loans.

Table 75: Credit Impairment Assessment Assumptions Non-Agency Residential Mortgage-Backed and Asset-Backed Securities

September 30, 2014	Range		Weighted-average (a)
Long-term prepayment rate (annual CPR)			
Prime	7	20%	13%
Alt-A	5	12	6
Option ARM	3	6	3
Remaining collateral expected to default			
Prime	1	34%	13%
Alt-A	6	53	27
Option ARM	11	56	37
Loss severity			
Prime	20	95%	41%
Alt-A	30	82	59
Option ARM	45	71	61

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

The following table presents a rollforward of the cumulative OTTI credit losses recognized in earnings for all debt securities for which a portion of an OTTI loss was recognized in Accumulated other comprehensive income (loss).

Table 76: Rollforward of Cumulative OTTI Credit Losses Recognized in Earnings

Three months ended September 30,	2014	2013

In millions		
Balance at beginning of period	$ (1,158)	$ (1,164)
Additional loss where credit impairment was previously recognized	(1)	(2)
Reduction due to credit impaired securities sold or matured		7
Balance at end of period	$ (1,159)	$ (1,159)

Nine months ended September 30,

In millions	2014	2013
Balance at beginning of period	$ (1,160)	$ (1,201)
Additional loss where credit impairment was previously recognized	(4)	(16)
Reduction due to credit impaired securities sold or matured	5	58
Balance at end of period	$ (1,159)	$ (1,159)

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

Table 77: Gains (Losses) on Sales of Securities Available for Sale

In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Tax Expense
Nine months ended September 30					
2014	$ 3,606	$ 29	$ (25)	$ 4	$ 1
2013	7,141	142	(46)	96	33

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at September 30, 2014.

Table 78: Contractual Maturity of Debt Securities

September 30, 2014

Dollars in millions	1 Year or Less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
Securities Available for Sale					
U.S. Treasury and government agencies	$ 2	$ 1,311	$ 3,387	$ 476	$ 5,176
Residential mortgage-backed					
Agency		115	455	17,274	17,844
Non-agency		7	1	4,896	4,904
Commercial mortgage-backed					
Agency	121	253	20	1,393	1,787
Non-agency				3,703	3,703
Asset-backed	12	906	1,889	2,257	5,064
State and municipal	4	116	331	1,527	1,978
Other debt	98	1,041	427	226	1,792
Total debt securities available for sale	$ 237	$ 3,749	$ 6,510	$ 31,752	$ 42,248
Fair value	$ 238	$ 3,843	$ 6,628	$ 32,514	$ 43,223
Weighted-average yield, GAAP basis	3.33%	2.60%	2.36%	3.00%	2.87%
Securities Held to Maturity					
U.S. Treasury and government agencies				$ 246	$ 246
Residential mortgage-backed					
Agency				5,427	5,427
Non-agency				276	276
Commercial mortgage-backed					
Agency		$ 1,047	$ 146	59	1,252
Non-agency		6		1,062	1,068
Asset-backed		17	414	341	772
State and municipal	$ 20	21	739	1,273	2,053
Other debt			325		325
Total debt securities held to maturity	$ 20	$ 1,091	$ 1,624	$ 8,684	$ 11,419
Fair value	$ 20	$ 1,130	$ 1,679	$ 8,882	$ 11,711
Weighted-average yield, GAAP basis	4.42%	3.43%	3.24%	3.71%	3.62%

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Based on current interest rates and expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio (excluding corporate stocks and other) was 4.6 years at September 30, 2014 and 4.9 years at December 31, 2013. The weighted-average expected maturity of mortgage and other asset-backed debt securities were as follows as of September 30, 2014:

Table 79: Weighted-Average Expected Maturity of Mortgage and Other Asset-Backed Debt Securities

September 30, 2014	Years
Agency residential mortgage-backed securities	4.3
Non-agency residential mortgage-backed securities	5.8
Agency commercial mortgage-backed securities	3.2
Non-agency commercial mortgage-backed securities	3.1
Asset-backed securities	3.6

Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security. At September 30, 2014, there were no securities of a single issuer, other than FNMA, that exceeded 10% of Total shareholders equity.

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

Table 80: Fair Value of Securities Pledged and Accepted as Collateral

In millions	September 30 2014	December 31 2013
Pledged to others	$ 17,934	$ 18,772
Accepted from others:		
Permitted by contract or custom to sell or repledge	1,567	1,571
Permitted amount repledged to others	1,358	1,343

The securities pledged to others include positions held in our portfolio of investment securities, trading securities, and securities accepted as collateral from others that we are permitted by contract or custom to sell or repledge, and were used to secure public and trust deposits, repurchase agreements, and for other purposes.

NOTE 8 FAIR VALUE

Fair Value Measurement

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

Valuation Processes

We have various processes and controls in place to help ensure that fair value is reasonably estimated. Any models used to determine fair values or to validate dealer quotes are subject to review and independent testing as part of our model validation and internal control testing processes. Our Model Risk Management Committee reviews significant models at least annually. In addition, we have teams independent of the traders that verify marks and assumptions used for valuations at each period end.

Assets and liabilities measured at fair value, by their nature, result in a higher degree of financial statement volatility. Assets and liabilities classified within Level 3 inherently require the use of various assumptions, estimates and judgments when measuring their fair value. As observable market activity is commonly not available to use when estimating the fair value of Level 3 assets and liabilities, we must estimate fair value using various modeling techniques. These techniques include the use of a variety of inputs/assumptions including credit quality, liquidity, interest rates or other relevant inputs across the entire population of our Level 3 assets and liabilities. Changes in the significant underlying factors or assumptions (either an increase or a decrease) in any of these areas underlying our estimates may result in a significant increase/decrease in the Level 3 fair value measurement of a particular asset and/or liability from period to period.

Financial Instruments Accounted For at Fair Value on a Recurring Basis

A cross-functional team comprised of representatives from Asset & Liability Management, Finance and Market Risk Management oversees the governance of the processes and methodologies used to estimate the fair value of securities and the price validation testing that is performed. This management team reviews pricing sources and trends and the results of validation testing.

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

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

Financial Derivatives

In connection with the sales of portions of our Visa Class B common shares, we entered into additional swap agreements with the purchaser of the shares to account for future changes in the value of the Class B common shares to reflect adjustments to the conversion rate of Class B common shares into Visa Class A common shares. These adjustments result from resolution of the specified litigation or changes in the amount in the litigation escrow account funded by Visa (see Note 17 Commitments and Guarantees for additional information). These swaps also require payments calculated by reference to the market price of the Class A common shares and a fixed rate of interest. The swaps are classified as Level 3 instruments and the fair values of the liability positions totaled $146 million at September 30, 2014 and $90 million at December 31, 2013, respectively.

Commercial Mortgage Servicing Rights

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

The fair value of commercial MSRs is estimated by using a discounted cash flow model incorporating unobservable inputs for assumptions such as constant prepayment rates, discount rates and other factors. Significant increases/(decreases) in constant prepayment rates and discount rates would result in significantly lower/(higher) commercial MSR value determined based on current market conditions and expectations.

Commercial Mortgage Loans Held for Sale

We account for certain commercial mortgage loans classified as held for sale in whole loan transactions at fair value. In addition, as of September 1, 2014, we have elected to apply the fair value option to certain commercial mortgage loans held for sale to agencies. This election applies to all new commercial mortgage loans held for sale originated for sale to the agencies effective on or after September 1, 2014. The election of fair value option aligns the accounting for the commercial mortgages with the related commitments to sell the loans.

We determine the fair value of commercial mortgage loans held for sale based upon discounted cash flows. Fair value is determined using sale valuation assumptions that management believes a market participant would use in pricing the loans. Valuation assumptions may include observable inputs based on the benchmark interest rate swap curves, whole loan sales and agency sales transactions. The significant unobservable inputs are management s assumption of the spread applied to the benchmark rate and the estimated servicing cash flows for loans sold to the agencies with servicing retained. The spread over the benchmark curve includes management s assumptions of the impact of credit and liquidity risk. Significant increases (decreases) in the spread applied to the benchmark would result in a significantly lower (higher) asset value. The wide range of the spread over the benchmark curve is due to the varying risk and underlying property characteristics within our portfolio. Significant increases (decreases) in the estimated servicing cash flows would result in significantly higher (lower) asset value. Based on the significance of unobservable inputs, we classified this portfolio as Level 3.

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

Table 81: Fair Value Measurements Recurring Basis Summary

	September 30, 2014				December 31, 2013			
				Total				Total
In millions	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Assets								
Securities available for sale								
U.S. Treasury and government agencies	$ 4,712	$ 631		$ 5,343	$ 3,460	$ 658		$ 4,118
Residential mortgage-backed								
Agency (a)		18,160		18,160		21,714		21,714
Non-agency		227	$ 4,911	5,138		247	$ 5,358	5,605
Commercial mortgage-backed								
Agency (a)		1,792		1,792		1,763		1,763
Non-agency		3,788		3,788		4,042		4,042
Asset-backed		4,531	592	5,123		5,131	641	5,772
State and municipal		1,704	346	2,050		2,284	333	2,617
Other debt		1,798	31	1,829		2,505	38	2,543
Total debt securities	4,712	32,631	5,880	43,223	3,460	38,344	6,370	48,174
Corporate stocks and other	382	15		397	417	16		433
Total securities available for sale	5,094	32,646	5,880	43,620	3,877	38,360	6,370	48,607
Financial derivatives (b) (c)								
Interest rate contracts	2	4,097	27	4,126	25	4,540	34	4,599
Other contracts		223	2	225		192	2	194
Total financial derivatives	2	4,320	29	4,351	25	4,732	36	4,793
Residential mortgage loans held for sale (d)		1,183	4	1,187		1,307	8	1,315
Trading securities (e)								
Debt (f)	1,333	1,263	34	2,630	2,159	862	32	3,053
Equity	20			20	20			20
Total trading securities	1,353	1,263	34	2,650	2,179	862	32	3,073
Trading loans (b)		35		35		6		6
Residential mortgage servicing rights (g)			978	978			1,087	1,087
Commercial mortgage servicing rights (g) (h)			532	532				
Commercial mortgage loans held for sale (d)			867	867			586	586
Equity investments (b) (i)								
Direct investments			1,235	1,235			1,069	1,069
Indirect investments (j)			553	553			595	595
Total equity investments			1,788	1,788			1,664	1,664
Customer resale agreements (k)		191		191		207		207
Loans (l) (m)		634	383	1,017		623	527	1,150
Other assets (b)								
BlackRock Series C Preferred Stock (n)			345	345			332	332
Other	188	221	8	417	209	184	8	401
Total other assets	188	221	353	762	209	184	340	733
Total assets	$ 6,637	$ 40,493	$ 10,848	$ 57,978	$ 6,290	$ 46,281	$ 10,650	$ 63,221
Liabilities								
Financial derivatives (c) (o)								
Interest rate contracts	$ 2	$ 2,886	$ 5	$ 2,893	$ 6	$ 3,307	$ 13	$ 3,326
BlackRock LTIP			345	345			332	332
Other contracts		160	149	309		182	94	276
Total financial derivatives	2	3,046	499	3,547	6	3,489	439	3,934
Trading securities sold short (p)								
Debt	1,352	14		1,366	1,341	1		1,342

Total trading securities sold short	1,352	14		1,366	1,341	1		1,342
Other borrowed funds (m)		94	180	274		110	199	309
Total liabilities	$ 1,354	$ 3,154	$ 679	$ 5,187	$ 1,347	$ 3,600	$ 638	$ 5,585

(a) These line items were corrected as of December 31, 2013 due to a misclassification of Government National Mortgage Association (GNMA) securities collateralized by project loans. $1.1 billion was previously reported as residential mortgage-backed agency securities and was reclassified to commercial mortgage-backed agency securities.
(b) Included in Other assets on our Consolidated Balance Sheet.
(c) Amounts at September 30, 2014 and December 31, 2013 are presented gross and are not reduced by the impact of legally enforceable master netting agreements that allow PNC to net positive and negative positions and cash collateral held or placed with the same counterparty. The net asset amounts were $1.8 billion at September 30, 2014 and $1.7 billion at December 31, 2013, and the net liability amounts were $1.0 billion and $.9 billion, respectively.
(d) Included in Loans held for sale on our Consolidated Balance Sheet. PNC has elected the fair value option for certain residential and commercial mortgage loans held for sale.
(e) Fair value includes net unrealized gains of $35 million at September 30, 2014 compared with net unrealized gains of $11 million at December 31, 2013.
(f) Approximately 29% of these securities are residential mortgage-backed securities and 51% are U.S. Treasury and government agencies securities at September 30, 2014. Comparable amounts at December 31, 2013 were 17% and 69%, respectively.
(g) Included in Other intangible assets on our Consolidated Balance Sheet.
(h) As of January 1, 2014, PNC made an irrevocable election to measure all classes of commercial MSRs at fair value. Accordingly, beginning with the first quarter of 2014, commercial MSRs are measured at fair value on a recurring basis.
(i) Our adoption of ASU 2013-08, Financial Services Investment Companies (Topic 946): *Amendments to the Scope, Measurement and Disclosure Requirements*, did not result in a change in classification or status of our accounting for investment companies.
(j) The indirect equity funds are not redeemable, but PNC receives distributions over the life of the partnership from liquidation of the underlying investments by the investee, which we expect to occur over the next twelve years. The amount of unfunded contractual commitments related to indirect equity investments was $117 million and related to direct equity investments was $28 million as of September 30, 2014, respectively. Comparable amounts at December 31, 2013 were $128 million and $36 million, respectively.
(k) Included in Federal funds sold and resale agreements on our Consolidated Balance Sheet. PNC has elected the fair value option for these items.
(l) Included in Loans on our Consolidated Balance Sheet.
(m) These line items were corrected as of December 31, 2013 to include transferred loans over which PNC regained effective control and the related liabilities that are recorded pursuant to ASC 860.
(n) PNC has elected the fair value option for these shares.
(o) Included in Other liabilities on our Consolidated Balance Sheet.
(p) Included in Other borrowed funds on our Consolidated Balance Sheet.

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Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the three months and nine months ended September 30, 2014 and 2013 follow:

Table 82: Reconciliation of Level 3 Assets and Liabilities

Three Months Ended September 30, 2014

Level 3 Instruments Only In millions	Fair Value June 30, 2014	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Fair Value Sept. 30, 2014	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2014 (c)
Assets											
Securities available for sale											
Residential mortgage-backed non-agency	$ 5,107	$ 31	$ (5)				$ (222)			$ 4,911	$ (1)
Asset-backed	619	3	9				(39)			592	
State and municipal	345		1							346	
Other debt	31									31	
Total securities available for sale	6,102	34	5				(261)			5,880	(1)
Financial derivatives	41	46		$ 1			(59)			29	30
Residential mortgage loans held for sale	4			3				$ 5	$ (8)	4	
Trading securities Debt	33	1								34	
Residential mortgage servicing rights	967	(4)		28		$ 23	(36)			978	(3)
Commercial mortgage servicing rights	515	5		16		19	(23)			532	5
Commercial mortgage loans held for sale	521	6				349	(9)			867	6
Equity investments											
Direct investments	1,219	48		93	$ (125)					1,235	38
Indirect investments	574	28		7	(56)					553	27
Total equity investments	1,793	76		100	(181)					1,788	65
Loans	373	22		29	(4)		(22)	7	(22)	383	20
Other assets											
BlackRock Series C											
Preferred Stock	335	10								345	10
Other	8									8	
Total other assets	343	10								353	10
Total assets	$ 10,692	$ 196 (e)	$ 5	$ 177	$ (185)	$ 391	$ (410)	$ 12	$ (30)	$ 10,848	$ 132 (f)
Liabilities											
Financial derivatives (d)	$ 454	$ 75					$ (30)			$ 499	$ 51
Other borrowed funds	183	3				$ 10	(16)			180	
Total liabilities	$ 637	$ 78 (e)				10	$ (46)			$ 679	$ 51 (f)

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Three Months Ended September 30, 2013

Level 3 Instruments Only In millions	Fair Value June 30, 2013	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Fair Value Sept. 30, 2013	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2013 (c)
Assets											
Securities available for sale											
Residential mortgage-backed non-agency	$ 5,711	$ 59	$ 32				$ (311)			$ 5,491	
Asset-backed	672	2	12				(32)			654	$ (2)
State and municipal	331									331	
Other debt	48				$ (5)		(3)			40	
Total securities available for sale	6,762	61	44		(5)		(346)			6,516	(2)
Financial derivatives	51	113		$ 2			(101)			65	74
Residential mortgage loans held for sale	30			7	(1)		4	$ 4	$ (30)	14	1
Trading securities Debt	32									32	
Residential mortgage servicing rights	975	44		22		$ 49	(53)			1,037	43
Commercial mortgage loans held for sale	635				(20)		(3)			612	
Equity investments											
Direct investments	1,115	34		44	(50)					1,143	27
Indirect investments	623	19		8	(34)					616	19
Total equity investments	1,738	53		52	(84)					1,759	46
Loans	311	12			(1)		(19)	37	(5)	335	6
Other assets											
BlackRock Series C											
Preferred Stock	270	14								284	14
Other	8									8	
Total other assets	278	14								292	14
Total assets	$ 10,812	$297 (e)	$ 44	$ 83	$ (111)	$ 49	$ (518)	$ 41	$ (35)	$ 10,662	$ 182 (f)
Liabilities											
Financial derivatives (d)	$ 383	$ 87			$ 2		$ (88)			$ 384	$ 12
Other borrowed funds	195	2					(11)			186	
Total liabilities	$ 578	$ 89 (e)			$ 2		$ (99)			$ 570	$ 12 (f)

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Nine Months Ended September 30, 2014

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2013	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Fair Value Sept. 30, 2014	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2014 (c)
Assets											
Securities available for Sale											
Residential mortgage-backed non-agency	$ 5,358	$ 105	$ 80				$ (632)			$ 4,911	$ (4)
Asset-backed	641	11	28				(88)			592	
State and municipal	333	(2)	15							346	
Other debt	38	1		$ 1	$ (7)		(2)			31	
Total securities available for sale	6,370	115	123	1	(7)		(722)			5,880	(4)
Financial derivatives	36	165		2			(174)			29	105
Residential mortgage loans held for sale	8	1		11	(3)		(1)	$ 9	$ (21)	4	1
Trading securities Debt	32	2								34	2
Residential mortgage servicing rights	1,087	(120)		45		$ 66	(100)			978	(115)
Commercial mortgage servicing rights		(20)		32		36	484 (g)			532	(20)
Commercial mortgage loans held for sale	586	13				349	(81)			867	13
Equity investments											
Direct investments	1,069	120		261	(215)					1,235	101
Indirect investments	595	61		19	(121)		(1)			553	59
Total equity investments	1,664	181		280	(336)		(1)			1,788	160
Loans	527	41		85	(142)		(69)	17	(76)	383	34
Other assets											
BlackRock Series C											
Preferred Stock	332	13								345	13
Other	8									8	
Total other assets	340	13								353	13
Total assets	$ 10,650	$ 391 (e)	$ 123	$ 456	$ (488)	$ 451	$ (664)	$ 26	$ (97)	$ 10,848	$ 189 (f)
Liabilities											
Financial derivatives (d)	$ 439	$ 145			$ 1		$ (86)			$ 499	$ 9
Other borrowed funds	199					$ 29	(48)			180	
Total liabilities	$ 638	$ 145 (e)			$ 1	$ 29	$ (134)			$ 679	$ 9 (f)

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Nine Months Ended September 30, 2013

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2012	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	Fair Value Sept. 30, 2013	Unrealized gains (losses) on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2013 (c)
Assets											
Securities available for sale											
Residential mortgage-backed non-agency	$ 6,107	$ 149	$ 71				$ (836)			$ 5,491	$ (10)
Commercial mortgage backed non-agency		3					(3)				
Asset-backed	708	6	41				(101)			654	(6)
State and municipal	339	1		$ 4			(13)			331	
Other debt	48			2	$ (7)		(3)			40	
Total securities available for sale	7,202	159	112	6	(7)		(956)			6,516	(16)
Financial derivatives	106	266		4			(309)		$ (2)	65	151
Residential mortgage loans held for sale	27	1		56	(2)		5	$ 10	(83)	14	2
Trading securities Debt	32									32	
Residential mortgage servicing rights	650	330		86		$ 129	(158)			1,037	314
Commercial mortgage loans held for sale	772	(12)			(122)		(26)			612	(13)
Equity investments											
Direct investments	1,171	68		107	(203)					1,143	41
Indirect investments	642	52		18	(96)					616	51
Total equity investments	1,813	120		125	(299)					1,759	92
Loans	134	33			(1)		96	94	(21)	335	23
Other assets											
BlackRock Series C											
Preferred Stock	243	74					(33)			284	74
Other	9		(1)							8	
Total other assets	252	74	(1)				(33)			292	74
Total assets	$ 10,988	$ 971 (e)	$ 111	$ 277	$ (431)	$ 129	$ (1,381)	$ 104	$ (106)	$ 10,662	$ 627 (f)
Liabilities											
Financial derivatives (d)	$ 376	$ 247			$ 3		$ (242)			$ 384	$ 115
Other borrowed funds		5					181			186	
Total liabilities	$ 376	$ 252 (e)			$ 3		$ (61)			$ 570	$ 115 (f)

(a) Losses for assets are bracketed while losses for liabilities are not.

(b) PNC s policy is to recognize transfers in and transfers out as of the end of the reporting period.

(c) The amount of the total gains or losses for the period included in earnings that is attributable to the change in unrealized gains or losses related to those assets and liabilities held at the end of the reporting period.

(d) Includes swaps entered into in connection with sales of certain Visa Class B common shares.

(e) Net gains (realized and unrealized) included in earnings relating to Level 3 assets and liabilities were $118 million for the third quarter of 2014, while for the first nine months of 2014 there were $246 million of net gains (realized and unrealized) included in earnings. The comparative amounts included net gains (realized and unrealized) of $208 million for third quarter 2013 and net gains (realized and unrealized) of $719 million for the first nine months of 2013. These amounts also included amortization and accretion of $37 million for the third quarter of 2014 and $122 million for the first nine months of 2014. The comparative amounts were $63 million for the third quarter of 2013 and $174 million for the first nine months of 2013. The amortization and accretion amounts were included in Interest income on the Consolidated Income Statement and the remaining net gains/(losses) (realized and unrealized) were included in Noninterest income on the Consolidated Income Statement.

(f) Net unrealized gains relating to those assets and liabilities held at the end of the reporting period were $81 million for the third quarter of 2014, while for the first nine months of 2014 there were $180 million of net unrealized gains. The comparative amounts included net unrealized gains of $170 million for the third quarter of 2013 and net unrealized gains of $512 million for the first nine months of 2013. These amounts were included in Noninterest income on the Consolidated Income Statement.

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

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An instrument s categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. PNC s policy is to recognize transfers in and transfers out as of the end of the reporting period. During the first nine months of 2014, there were transfers of residential mortgage loans held for sale from Level 2 to Level 3 of $9 million as a result of reduced marketability in the secondary residential mortgage sales market which reduced the observability of valuation inputs. Also during the first nine months of 2014, there were transfers out of Level 3 residential mortgage loans held for sale and loans of $4 million and $76 million, respectively, primarily due to the transfer of residential mortgage loans held for sale and loans to OREO. In addition, there was approximately $17 million of Level 3 residential mortgage loans held for sale reclassified to Level 3 loans during the first nine months of 2014 due to the loans being reclassified from held for sale loans to held in portfolio loans. This amount was included in Transfers out of Level 3 residential mortgages loans held for sale and Transfers into Level 3 loans within Table 82.

During the first nine months of 2013, there were transfers of residential mortgage loans held for sale and loans from Level 2 to Level 3 of $10 million and $22 million, respectively, as a result of reduced marketability in the secondary residential mortgage sales market which reduced the observability of valuation inputs. Also during the first nine months of 2013, there were transfers out of Level 3 residential mortgage loans held for sale and loans of $11 million and $21 million, respectively, primarily due to the transfer of residential mortgage loans held for sale and loans to OREO. In addition, there was approximately $72 million of Level 3 residential mortgage loans held for sale reclassified to Level 3 loans during the first nine months of 2013 due to the loans being reclassified from held for sale loans to held in portfolio loans. This amount was included in Transfers out of Level 3 residential mortgage loans held for sale and Transfers into Level 3 loans within Table 82.

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

Table 83: Fair Value Measurements Recurring Quantitative Information

September 30, 2014

Level 3 Instruments Only

Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Residential mortgage-backed non-agency securities	$ 4,911	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR) Constant default rate (CDR) Loss severity Spread over the benchmark curve (b)	1.0% - 28.9% (6.8%) 0% - 17.5% (5.9%) 6.1% - 96.4% (53.1%) 213bps weighted average	(a) (a) (a) (a)
Asset-backed securities	592	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR) Constant default rate (CDR) Loss severity Spread over the benchmark curve (b)	1.0% - 15.7% (6.1%) 1.7% - 13.9% (7.8%) 14.6% - 100% (73.0%) 304bps weighted average	(a) (a) (a) (a)
State and municipal securities	133 213	Discounted cash flow Consensus pricing (c)	Spread over the benchmark curve (b) Credit and Liquidity discount	50bps - 160bps (62bps) 0% - 25.0% (2.2%)	
Other debt securities	31	Consensus pricing (c)	Credit and Liquidity discount	7.0% - 95.0% (88.4%)	
Trading securities Debt	34	Consensus pricing (c)	Credit and Liquidity discount	2.0% - 20.0% (2.7%)	
Residential mortgage servicing rights	978	Discounted cash flow	Constant prepayment rate (CPR) Spread over the benchmark curve (b)	3.6% - 42.0% (9.1%) 889bps - 1,889bps (1,037bps)	
Commercial mortgage servicing rights	532	Discounted cash flow	Constant prepayment rate (CPR) Discount rate	8.5% - 14.7% (9.2%) 4.2% - 8.8% (6.7%)	
Commercial mortgage loans held for sale	867	Discounted cash flow	Spread over the benchmark curve (b) Estimated servicing cash flows	36bps - 17,420bps (1,591bps) 0.0% - 2.6% (1.8%)	
Equity investments Direct investments	1,235	Multiple of adjusted earnings	Multiple of earnings	3.2x - 15.0x (7.7x)	
Equity investments Indirect (d)	553	Net asset value	Net asset value		
Loans Residential real estate	122	Consensus pricing (c)	Cumulative default rate Loss severity Discount rate	2.0% - 100% (91.0%) 0% - 100% (39.4%) 5.0% - 7.0% (6.4%)	
	147	Discounted cash flow	Loss severity Discount rate	8.0% weighted average 10.0% weighted average	
Loans Home equity	114	Consensus pricing (c)	Credit and Liquidity discount	36.0% - 99.0% (58.0%)	
	345	Consensus pricing (c)	Liquidity discount	20.0%	

BlackRock Series C Preferred Stock				
BlackRock LTIP	(345)	Consensus pricing (c)	Liquidity discount	20.0%
Swaps related to sales of certain Visa Class B common shares	(146)	Discounted cash flow	Estimated conversion factor of Class B shares into Class A shares	41.1%
			Estimated growth rate of Visa Class A share price	14.9%
Other borrowed funds non-agency securitization	(167)	Consensus pricing (c)	Credit and Liquidity discount	0% - 99.0% (20.0%)
			Spread over the benchmark curve (b)	98bps
Insignificant Level 3 assets, net of liabilities (e)	20			
Total Level 3 assets, net of liabilities (f)	$ 10,169			

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December 31, 2013

Level 3 Instruments Only

Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Residential mortgage-backed non-agency securities	$ 5,358	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR)	1.0% - 32.1% (6.0%)	(a)
			Constant default rate (CDR)	0% - 21.9% (6.6%)	(a)
			Loss severity	6.1% - 92.9% (52.3%)	(a)
			Spread over the benchmark curve (b)	237bps weighted average	(a)
Asset-backed securities	641	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR)	1.0% - 11.1% (5.0%)	(a)
			Constant default rate (CDR)	1.0% - 13.9% (8.7%)	(a)
			Loss severity	10.0% - 100% (70.1%)	(a)
			Spread over the benchmark curve (b)	326bps weighted average	(a)
State and municipal securities	132	Discounted cash flow	Spread over the benchmark curve (b)	80bps - 240bps (97bps)	
	201	Consensus pricing (c)	Credit and Liquidity discount	0% - 25.0% (8.3%)	
Other debt securities	38	Consensus pricing (c)	Credit and Liquidity discount	7.0% - 95.0% (88.4%)	
Trading securities Debt	32	Consensus pricing (c)	Credit and Liquidity discount	0% - 20.0% (8.3%)	
Residential mortgage servicing rights	1,087	Discounted cash flow	Constant prepayment rate (CPR)	2.2% - 32.9% (7.6%)	
			Spread over the benchmark curve (b)	889bps - 1,888bps (1,024bps)	
Commercial mortgage loans held for sale	586	Discounted cash flow	Spread over the benchmark curve (b)	460bps - 6,655bps (972bps)	
Equity investments Direct investments	1,069	Multiple of adjusted earnings	Multiple of earnings	4.5x - 10.8x (7.2x)	
Equity investments Indirect (d)	595	Net asset value	Net asset value		
Loans Residential real estate	225	Consensus pricing (c)	Cumulative default rate	2.0% - 100% (80.0%)	
			Loss severity	0% - 100% (48.4%)	
			Discount rate	12.0% - 13.0% (12.2%)	
	179	Discounted cash flow	Loss severity	8.0% weighted average	
			Discount rate	10.0% weighted average	
Loans Home equity	123	Consensus pricing (c)	Credit and Liquidity discount	36.0% - 99.0% (55.0%)	
BlackRock Series C Preferred Stock	332	Consensus pricing (c)	Liquidity discount	20.0%	
BlackRock LTIP	(332)	Consensus pricing (c)	Liquidity discount	20.0%	
Swaps related to sales of certain Visa Class B common shares	(90)	Discounted cash flow	Estimated conversion factor of Class B shares into Class A shares	41.7%	
			Estimated growth rate of Visa Class A share price	8.6%	
	(184)	Consensus pricing (c)	Credit and Liquidity discount	0% - 99.0% (18.0%)	

Other borrowed funds non-agency securitization			
		Spread over the benchmark curve (b)	13bps
Insignificant Level 3 assets, net of liabilities (e)	20		
Total Level 3 assets, net of liabilities (f)	$ 10,012		

(a) Level 3 residential mortgage-backed non-agency and asset-backed securities with fair values as of September 30, 2014 totaling $4,256 million and $561 million, respectively, were priced by a third-party vendor using a discounted cash flow pricing model that incorporates consensus pricing, where available. The comparable amounts as of December 31, 2013 were $4,672 million and $610 million, respectively. The significant unobservable inputs for these securities were provided by the third-party vendor and are disclosed in the table. Our procedures to validate the prices provided by the third-party vendor related to these securities are discussed further in the Fair Value Measurement section of Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K. Certain Level 3 residential mortgage-backed non-agency and asset-backed securities with fair values as of September 30, 2014 of $655 million and $31 million, respectively, were valued using a pricing source, such as a dealer quote or comparable security price, for which the significant unobservable inputs used to determine the price were not reasonably available. The comparable amounts as of December 31, 2013 were $686 million and $31 million, respectively.

(b) The assumed yield spread over the benchmark curve for each instrument is generally intended to incorporate non-interest-rate risks such as credit and liquidity risks.

(c) Consensus pricing refers to fair value estimates that are generally internally developed using information such as dealer quotes or other third-party provided valuations or comparable asset prices.

(d) The range on these indirect equity investments has not been disclosed since these investments are recorded at their net asset redemption values.

(e) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes certain financial derivative assets and liabilities, residential mortgage loans held for sale, other assets and other borrowed funds (ROAPs). For additional information, please see the Fair Value Measurement discussion included in Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

(f) Consisted of total Level 3 assets of $10,848 million and total Level 3 liabilities of $679 million as of September 30, 2014 and $10,650 million and $638 million as of December 31, 2013, respectively.

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Other Financial Assets Accounted for at Fair Value on a Nonrecurring Basis

We may be required to measure certain other financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower-of-cost-or-fair value accounting or write-downs of individual assets due to impairment and are included in Table 84 and Table 85. For more information regarding the valuation methodologies for assets measured at fair value on a nonrecurring basis, see Note 9 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

Table 84: Fair Value Measurements Nonrecurring

In millions	Fair Value (a) September 30 2014	Fair Value (a) December 31 2013	Gains (Losses) Three months ended September 30 2014	Gains (Losses) Three months ended September 30 2013	Gains (Losses) Nine months ended September 30 2014	Gains (Losses) Nine months ended September 30 2013
Assets						
Nonaccrual loans	$ 36	$ 35	$ (3)	$ (11)	$ (12)	$ (8)
Loans held for sale (b)	8	224		(10)		(10)
Equity investments	7	6				
Commercial mortgage servicing rights (c)		543		6		79
OREO and foreclosed assets	166	181	(7)	(15)	(16)	(36)
Long-lived assets held for sale	23	51	(2)	(7)	(12)	(34)
Total assets	$ 240	$ 1,040	$ (12)	$ (37)	$ (40)	$ (9)

(a) All Level 3 as of September 30, 2014 and December 31, 2013, except for $8 million included in Loans held for sale which was categorized as Level 2 as of September 30, 2014.

(b) As of September 1, 2014, PNC elected to account for certain agency loans held for sale at fair value. Accordingly, beginning on September 1, 2014, all new commercial mortgage loans held for sale originated for sale to the agencies are measured at fair value on a recurring basis.

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

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

Table 85: Fair Value Measurements Nonrecurring Quantitative Information

Level 3 Instruments Only

Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
September 30, 2014				
Assets				
Nonaccrual loans (a)	$ 25	LGD percentage (b)	Loss severity	**1.2%-89.3%(50.6%)**
Equity investments	7	Discounted cash flow	Market rate of return	**4.3%**
Other (c)	200	Fair value of property or collateral	Appraised value/sales price	**Not meaningful**
Total Assets	$ 232			
December 31, 2013				
Assets				
Nonaccrual loans (a)	$ 21	LGD percentage (b)	Loss severity	**7.0%-84.9%(36.6%)**
Loans held for sale (d)	224	Discounted cash flow	Spread over the benchmark curve (e)	**35bps-220bps (144bps)**
			Estimated servicing cash flows	**.8%-3.5%(2.0%)**
Equity investments	6	Discounted cash flow	Market rate of return	**6.5%**
Commercial mortgage servicing rights (f)	543	Discounted cash flow	Constant prepayment rate (CPR)	**7.1%-11.8%(7.7%)** **5.4%-7.6%(6.7%)**

			Discount rate	
Other (c)	246	Fair value of property or collateral	Appraised value/sales price	**Not meaningful**
Total Assets	$ 1,040			

(a) The fair value of nonaccrual loans included in this line item is determined based on internal loss rates. The fair value of nonaccrual loans where the fair value is determined based on the appraised value or sales price is included within Other, below.

(b) LGD percentage represents the amount that PNC expects to lose in the event a borrower defaults on an obligation.

(c) Other included Nonaccrual loans of $11 million, OREO and foreclosed assets of $166 million and Long-lived assets held for sale of $23 million as of September 30, 2014. Comparably, as of December 31, 2013, Other included Nonaccrual loans of $14 million, OREO and foreclosed assets of $181 million and Long-lived assets held for sale of $51 million. The fair value of these assets is determined based on appraised value or sales price, the range of which is not meaningful to disclose.

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(d) As of September 1, 2014, PNC elected to account for certain agency loans held for sale at fair value. Accordingly, beginning on September 1, 2014, all new commercial mortgage loans held for sale originated for sale to the agencies are measured at fair value on a recurring basis.
(e) The assumed yield spread over benchmark curve for each instrument is generally intended to incorporate non-interest-rate risks such as credit and liquidity risks.
(f) As of January 1, 2014, PNC made an irrevocable election to measure all classes of commercial MSRs at fair value. Accordingly, beginning with the first quarter of 2014, commercial MSRs are measured at fair value on a recurring basis.

Financial Instruments Accounted For Under Fair Value Option

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

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

Table 86: Fair Value Option Changes in Fair Value (a)

	Gains (Losses)		Gains (Losses)	
	Three months ended		Nine months ended	
In millions	September 30 2014	September 30 2013	September 30 2014	September 30 2013
Assets				
Customer resale agreements	$ (2)		$ (3)	$ (5)
Trading loans			1	2
Commercial mortgage loans held for sale	6	$ 1	13	(11)
Residential mortgage loans held for sale (b)	26	72	155	64
Residential mortgage loans portfolio (b)	26	13	113	45
BlackRock Series C Preferred Stock	10	14	13	74
Liabilities				
Other borrowed funds	(3)	(2)		(5)

(a) The impact on earnings of offsetting hedged items or hedging instruments is not reflected in these amounts.
(b) Prior periods were corrected for the allocation between Residential mortgage loans held for sale and Residential mortgage loans portfolio. This resulted in a decrease of $29 million from gains on Residential mortgage loans held for sale and an increase of $22 million to gains on Residential mortgage loans portfolio for the nine months ended September 30, 2013. The impacts to amounts for the three months ended September 30, 2013 were not significant.

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

Table 87: Fair Value Option Fair Value and Principal Balances

In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference
September 30, 2014			
Assets			
Customer resale agreements	$ 191	$ 183	$ 8
Trading loans	35	35	
Residential mortgage loans held for sale			
Performing loans	1,174	1,125	49
Accruing loans 90 days or more past due	4	4	
Nonaccrual loans	9	10	(1)
Total	1,187	1,139	48
Commercial mortgage loans held for sale (a)			
Performing loans	865	943	(78)
Nonaccrual loans	2	3	(1)
Total	867	946	(79)
Residential mortgage loans portfolio			
Performing loans	205	289	(84)
Accruing loans 90 days or more past due (b)	551	551	
Nonaccrual loans	261	464	(203)
Total	1,017	1,304	(287)
Liabilities			
Other borrowed funds	$ 274	$ 319	$ (45)
December 31, 2013			
Assets			
Customer resale agreements	$ 207	$ 196	$ 11
Trading loans	6	6	
Residential mortgage loans held for sale			
Performing loans	1,298	1,260	38
Accruing loans 90 days or more past due	2	2	
Nonaccrual loans	15	18	(3)
Total	1,315	1,280	35
Commercial mortgage loans held for sale (a)			
Performing loans	583	669	(86)
Nonaccrual loans	3	9	(6)
Total	586	678	(92)
Residential mortgage loans portfolio (c)			
Performing loans	233	332	(99)
Accruing loans 90 days or more past due (b)	552	626	(74)
Nonaccrual loans	365	598	(233)
Total	1,150	1,556	(406)
Liabilities			
Other borrowed funds (c)	$ 309	$ 353	$ (44)

(a) There were no accruing loans 90 days or more past due within this category at September 30, 2014 or December 31, 2013.

(b) Included in this population are government insured loans and non-government insured home equity loans. Loans that are insured by the government result in a higher fair value than those that do not have that guarantee.

(c) Prior period amounts were corrected to include transferred loans over which PNC regained effective control and the related liabilities that are recorded pursuant to ASC 860.

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

Table 88: Additional Fair Value Information Related to Financial Instruments

	Carrying		Fair Value		
In millions	Amount	Total	Level 1	Level 2	Level 3
September 30, 2014					
Assets					
Cash and due from banks	$ 4,164	$ 4,164	$ 4,164		
Short-term assets	28,981	28,981		$ 28,981	
Trading securities	2,650	2,650	1,353	1,263	$ 34
Investment securities	55,039	55,331	5,369	44,071	5,891
Trading loans	35	35		35	
Loans held for sale	2,143	2,144		1,224	920
Net loans (excludes leases)	189,649	191,160		634	190,526
Other assets	4,303	4,862(a)	188	1,885	2,789
Financial derivatives					
Designated as hedging instruments under GAAP	1,026	1,026		1,026	
Not designated as hedging instruments under GAAP	3,325	3,325	2	3,294	29
Total Assets	$ 291,315	$ 293,678	$ 11,076	$ 82,413	$ 200,189
Liabilities					
Demand, savings and money market deposits	$ 204,448	$ 204,448		$ 204,448	
Time deposits	21,856	21,821		21,821	
Borrowed funds	52,625	53,439	$ 1,352	50,510	$ 1,577
Financial derivatives					
Designated as hedging instruments under GAAP	233	233		233	
Not designated as hedging instruments under GAAP	3,314	3,314	2	2,813	499
Unfunded loan commitments and letters of credit	232	232			232
Total Liabilities	$ 282,708	$ 283,487	$ 1,354	$ 279,825	$ 2,308
December 31, 2013					
Assets					
Cash and due from banks	$ 4,043	$ 4,043	$ 4,043		
Short-term assets	15,113	15,113		$ 15,113	
Trading securities	3,073	3,073	2,179	862	$ 32
Investment securities	60,294	60,372	4,120	49,865	6,387
Trading loans	6	6		6	
Loans held for sale	2,255	2,256		1,307	949
Net loans (excludes leases)	184,305	185,887		513	185,374
Other assets	4,162	4,975(a)	209	1,791	2,975
Financial derivatives					
Designated as hedging instruments under GAAP	1,189	1,189		1,189	
Not designated as hedging instruments under GAAP	3,604	3,604	25	3,543	36
Total Assets	$ 278,044	$ 280,518	$ 10,576	$ 74,189	$ 195,753
Liabilities					
Demand, savings and money market deposits	$ 197,465	$ 197,465		$ 197,465	
Time deposits	23,466	23,487		23,487	
Borrowed funds	46,427	47,258	$ 1,341	44,431	$ 1,486
Financial derivatives					
Designated as hedging instruments under GAAP	364	364		364	
Not designated as hedging instruments under GAAP	3,570	3,570	6	3,125	439
Unfunded loan commitments and letters of credit	224	224			224
Total Liabilities	$ 271,516	$ 272,368	$ 1,347	$ 268,872	$ 2,149

(a) Includes $648 million for Visa Class B common shares, which was estimated solely based upon the September 30, 2014 closing price for the Visa Class A common shares and the current Visa Class B common shares conversion rate, which reflects adjustments in respect of all litigation funding by Visa to date. The Class B common shares are transferable only under limited circumstances, which could impact the aforementioned estimate, until they can be converted into Class A common shares. The comparable amount at December 31, 2013 was $971 million. For additional information, see Note 24 Commitments and Guarantees in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

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The aggregate fair value of financial instruments in Table 88 does not represent the total market value of PNC s assets and liabilities as the table excludes the following:

- real and personal property,
- lease financing,
- loan customer relationships,
- deposit customer intangibles,
- mortgage servicing rights,
- retail branch networks,
- fee-based businesses, such as asset management and brokerage, and
- trademarks and brand names.

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

The aggregate carrying value of our FHLB and FRB stock was $1.6 billion at both September 30, 2014 and December 31, 2013, which approximates fair value at each date.

Note 9 Goodwill and Other Intangible Assets

Goodwill

Goodwill by business segment consisted of the following:

Table 89: Goodwill by Business Segment (a)

In millions	September 30 2014	December 31 2013
Retail Banking	$ 5,795	$ 5,795
Corporate & Institutional Banking	3,215	3,215
Asset Management Group	64	64
Total	$ 9,074	$ 9,074

(a) The Residential Mortgage Banking and Non-Strategic Assets Portfolio business segments did not have any goodwill allocated to them as of September 30, 2014 and December 31, 2013.

Other Intangible Assets

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

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

Table 90: Other Intangible Assets

In millions	September 30 2014	December 31 2013
Customer-related and other intangibles		
Gross carrying amount	$ 1,671	$ 1,676
Accumulated amortization	(1,187)	(1,096)
Net carrying amount	$ 484	$ 580
Mortgage servicing rights (a)		

Gross carrying amount	$ 1,510	$ 2,620
Valuation allowance		(88)
Accumulated amortization		(896)
Net carrying amount	$ 1,510	$ 1,636
Total	$ 1,994	$ 2,216

(a) Upon the first quarter 2014 irrevocable election of fair value for commercial MSRs, the gross carrying amount of MSRs as of September 30, 2014 represents the fair value of both classes of MSRs.

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Amortization expense on existing intangible assets follows:

Table 91: Amortization Expense on Existing Intangible Assets

In millions	
Nine months ended September 30, 2014	$ 96
Nine months ended September 30, 2013 (a)	187
Remainder of 2014	31
2015	110
2016	93
2017	79
2018	68
2019	57

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

Customer-Related and Other Intangible Assets

Our customer-related and other intangible assets have finite lives. Core deposit intangibles are amortized on an accelerated basis, whereas the remaining other intangible assets are amortized on a straight-line basis. For customer-related and other intangibles, the estimated remaining useful lives range from less than 1 year to 9 years, with a weighted-average remaining useful life of 7 years.

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

Table 92: Summary of Changes in Customer-Related and Other Intangible Assets

In millions	Customer-Related
December 31, 2013	$ 580
Amortization	(96)
September 30, 2014	$ 484

Mortgage Servicing Rights

We recognize as an other intangible asset the right to service mortgage loans for others. MSRs are purchased or originated when loans are sold with servicing retained. As of January 1, 2014, PNC made an irrevocable election to subsequently measure all classes of commercial MSRs at fair value in order to eliminate any potential measurement mismatch between our economic hedges and the commercial MSRs. The impact of the cumulative-effect adjustment to retained earnings was not material, and the valuation allowance associated with the commercial MSRs was reclassified to the gross carrying amount of commercial MSRs. We will recognize gains/(losses) on changes in the fair value of commercial MSRs as a result of the election. Commercial MSRs are subject to declines in value from actual or expected prepayment of the underlying loans and also from defaults. We manage this risk

by economically hedging the fair value of commercial MSRs with securities and derivative instruments which are expected to increase (or decrease) in value when the value of commercial MSRs declines (or increases).

The fair value of commercial MSRs is estimated by using a discounted cash flow model incorporating inputs for assumptions as to constant prepayment rates, discount rates and other factors determined based on current market conditions and expectations.

Changes in commercial MSRs accounted for at fair value during the first nine months of 2014 follow:

Table 93: Commercial Mortgage Servicing Rights Accounted for at Fair Value

In millions	2014
January 1	$ 552
Additions:	
From loans sold with servicing retained	36
Purchases	32
Changes in fair value due to:	
Time and payoffs (a)	(68)
Other (b)	(20)
September 30	$ 532
Unpaid principal balance of loans serviced for others at September 30	$ 143,449

(a) Represents decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that were paid down or paid off during the period.

(b) Represents MSR value changes resulting primarily from market-driven changes in interest rates.

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

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

Table 94: Commercial Mortgage Servicing Rights Accounted for Under the Amortization Method

In millions	2013
Commercial Mortgage Servicing Rights Net Carrying Amount	
January 1	$ 420
Additions (a)	119
Amortization expense	(77)
Change in valuation allowance	79
September 30	$ 541
Commercial Mortgage Servicing Rights Valuation Allowance	
January 1	$ (176)
Provision	(18)
Recoveries	96
Other	1
September 30	$ (97)

(a) Additions for the first nine months of 2013 included $45 million from loans sold with servicing retained and $74 million from purchases of servicing rights from third parties.

We recognize mortgage servicing right assets on residential real estate loans when we retain the obligation to service these loans upon sale and the servicing fee is more than adequate compensation. Residential MSRs are subject to declines in value principally from actual or expected prepayment of the underlying loans and also from defaults. We manage this risk by economically hedging the fair value of residential MSRs with securities and derivative instruments which are expected to increase (or decrease) in value when the value of residential MSRs declines (or increases).

The fair value of residential MSRs is estimated by using a discounted cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors which are determined based on current market conditions.

Changes in the residential MSRs follow:

Table 95: Residential Mortgage Servicing Rights

In millions	2014	2013
January 1	$ 1,087	$ 650
Additions:		
From loans sold with servicing retained	66	129
Purchases	45	86
Changes in fair value due to:		
Time and payoffs (a)	(100)	(158)
Other (b)	(120)	330
September 30	$ 978	$ 1,037
Unpaid principal balance of loans serviced for others at September 30	$ 110,749	$ 115,034

(a) Represents decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that were paid down or paid off during the period.

(b) Represents MSR value changes resulting primarily from market-driven changes in interest rates.

The fair value of commercial and residential MSRs and significant inputs to the valuation models as of September 30, 2014 are shown in the tables below. The expected and actual rates of mortgage loan prepayments are significant factors driving the fair value. Management uses both internal proprietary models and a third-party model to estimate future commercial mortgage loan prepayments and a third-party model to estimate future residential mortgage loan prepayments. These models have been refined based on current market conditions and management judgment. Future interest rates are another important factor in the valuation of MSRs. Management utilizes market implied forward interest rates to estimate the future direction of mortgage and discount rates. The forward rates utilized are derived from the current yield curve for U.S. dollar interest rate swaps and are consistent with pricing of capital markets instruments. Changes in the shape and slope of the forward curve in future periods may result in volatility in the fair value estimate.

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

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

Table 96: Commercial Mortgage Loan Servicing Rights Key Valuation Assumptions

Dollars in millions	September 30 2014	December 31 2013
Fair Value	$ 532	$ 552
Weighted-average life (years)	5.0	5.3
Weighted-average constant prepayment rate	9.23%	7.52%
Decline in fair value from 10% adverse change	$ 11	$ 12
Decline in fair value from 20% adverse change	$ 21	$ 23
Effective discount rate	6.67%	6.91%
Decline in fair value from 10% adverse change	$ 15	$ 18
Decline in fair value from 20% adverse change	$ 30	$ 35

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Table 97: Residential Mortgage Loan Servicing Rights Key Valuation Assumptions

Dollars in millions	September 30 2014	December 31 2013
Fair value	$ 978	$ 1,087
Weighted-average life (years)	7.0	7.9
Weighted-average constant prepayment rate	9.09%	7.61%
Decline in fair value from 10% adverse change	$ 36	$ 34
Decline in fair value from 20% adverse change	$ 69	$ 67
Weighted-average option adjusted spread	10.37%	10.24%
Decline in fair value from 10% adverse change	$ 39	$ 47
Decline in fair value from 20% adverse change	$ 75	$ 91

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

Table 98: Fees from Mortgage Loan Servicing

In millions	2014	2013
Nine months ended September 30	$ 381	$ 411
Three months ended September 30	125	137

We also generate servicing fees from fee-based activities provided to others for which we do not have an associated servicing asset.

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

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

Capital Securities of a Subsidiary Trust

Our capital securities of a subsidiary trust (Trust) are described in Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in our 2013 Form 10-K. This Trust is a wholly-owned finance subsidiary of PNC. In the event of certain changes or amendments to regulatory requirements or federal tax rules, the capital securities are redeemable in whole. In accordance with GAAP, the financial statements of the Trust are not included in PNC s consolidated financial statements.

The obligations of the parent of the Trust, when taken collectively, are the equivalent of a full and unconditional guarantee of the obligations of the Trust under the terms of the Capital Securities. Such guarantee is subordinate in right of payment in the same manner as other junior subordinated debt. There are certain restrictions on PNC s overall ability to obtain funds from its subsidiaries. For additional disclosure on these funding restrictions, including an explanation of dividend and intercompany loan limitations, see Note 22 Regulatory Matters in our 2013 Form 10-K.

PNC is also subject to restrictions on dividends and other provisions potentially imposed under the Exchange Agreement with PNC Preferred Funding Trust II, as described in Note 14 in our 2013 Form 10-K in the Perpetual Trust Securities section, and to other provisions similar to or in some ways more restrictive than those potentially imposed under that agreement.

Perpetual Trust Securities

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

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NOTE 11 CERTAIN EMPLOYEE BENEFIT AND STOCK BASED COMPENSATION PLANS

Pension And Postretirement Plans

As described in Note 15 Employee Benefit Plans in our 2013 Form 10-K, we have a noncontributory, qualified defined benefit pension plan covering eligible employees. Benefits are determined using a cash balance formula where earnings credits are a percentage of eligible compensation. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants.

We also maintain nonqualified supplemental retirement plans for certain employees and provide certain health care and life insurance benefits for qualifying retired employees (postretirement benefits) through various plans. The nonqualified pension and postretirement benefit plans are unfunded. The Company reserves the right to terminate plans or make plan changes at any time.

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

Table 99: Net Periodic Pension and Postretirement Benefits Costs

Three months ended September 30	Qualified Pension Plan		Nonqualified Retirement Plans		Postretirement Benefits	
In millions	2014	2013	2014	2013	2014	2013
Net periodic cost consists of:						
Service cost	$ 26	$ 28		$ 1	$ 2	$ 1
Interest cost	46	42	$ 3	3	4	3
Expected return on plan assets	(72)	(72)				
Amortization of prior service credit	(2)	(2)			(1)	
Amortization of actuarial losses		22	1	2		
Net periodic cost/(benefit)	$ (2)	$ 18	$ 4	$ 6	$ 5	$ 4

Nine months ended September 30	Qualified Pension Plan		Nonqualified Retirement Plans		Postretirement Benefits	
In millions	2014	2013	2014	2013	2014	2013
Net periodic cost consists of:						
Service cost	$ 77	$ 85	$ 2	$ 3	$ 4	$ 4
Interest cost	140	127	9	9	12	11
Expected return on plan assets	(216)	(216)				
Amortization of prior service credit	(6)	(6)			(1)	(2)
Amortization of actuarial losses		65	3	6		
Net periodic cost/(benefit)	$ (5)	$ 55	$ 14	$ 18	$ 15	$ 13

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Stock Based Compensation Plans

As more fully described in Note 16 Stock Based Compensation Plans in our 2013 Form 10-K, we have long-term incentive award plans (Incentive Plans) that provide for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, incentive shares/performance units, restricted stock, restricted share units, other share-based awards and dollar-denominated awards to executives and, other than incentive stock options, to non-employee directors. Certain Incentive Plan awards may be paid in stock, cash or a combination of stock and cash. We typically grant a substantial portion of our stock-based compensation awards during the first quarter of the year. As of September 30, 2014, no stock appreciation rights were outstanding.

Total compensation expense recognized related to all share-based payment arrangements during the first nine months of 2014 and 2013 was $133 million and $114 million, respectively. At September 30, 2014, there was $176 million of unamortized share-based compensation expense related to nonvested equity compensation arrangements granted under the Incentive Plans. This unamortized cost is expected to be recognized as expense over a period of no longer than five years.

Nonqualified Stock Options

Beginning in 2014, PNC discontinued the use of stock options as a standard element of our long-term equity incentive compensation programs under our Incentive Plans and did not grant any options in the first nine months of 2014. Prior to 2014, options were granted at exercise prices not less than the market value of common stock on the grant date. Generally, options become exercisable in installments after the grant date. No option may be exercisable after 10 years from its grant date. Payment of the option exercise price may be in cash or by surrendering shares of common stock at market value on the exercise date. The exercise price may be paid by using previously owned shares.

For purposes of computing stock option expense for 2013, we estimated the fair value of stock options at the grant date by using the Black-Scholes option-pricing model. Option pricing models require the use of numerous assumptions, many of which are subjective. We used the following assumptions in the Black-Scholes model to determine the 2013 grant date fair value, as follows:

Table 100: Option Pricing Assumptions (a)

Weighted-average for the nine months ended September 30	2013
Risk-free interest rate	.9%
Dividend yield	2.5
Volatility	34.0
Expected life	6.5yrs.
Grant-date fair value	$ 16.35

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

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

Table 101: Stock Option Rollforward

	PNC	PNC Options Converted From National City	Total

		Options				
In thousands, except weighted-average data	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2013	10,354	$ 57.57	544	$ 662.28	10,898	$ 87.75
Granted (a)						
Exercised	(2,871)	59.49			(2,871)	59.49
Cancelled	(58)	52.93	(170)	836.25	(228)	637.14
Outstanding at September 30, 2014	7,425	$ 56.86	374	$ 583.31	7,799	$ 82.12
Exercisable at September 30, 2014	7,186	$ 56.69	374	$ 583.31	7,560	$ 82.75

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

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During the first nine months of 2014, we issued approximately 2 million common shares from treasury stock in connection with stock option exercise activity. As with past exercise activity, we currently intend to utilize primarily treasury stock for any future stock option exercises.

Incentive/Performance Unit Share Awards and Restricted Stock/Share Unit Awards

The fair value of nonvested incentive/performance unit share awards and restricted stock/share unit awards is initially determined based on prices not less than the market value of our common stock on the date of grant. The value of certain incentive/performance unit share awards is subsequently remeasured based on the achievement of one or more financial and other performance goals. The Personnel and Compensation Committee (P&CC) of the Board of Directors approves the final award payout with respect to certain incentive/performance unit share awards.

Beginning in 2013, we incorporated several enhanced risk-related performance changes to certain long-term incentive compensation programs. In addition to achieving certain financial performance metrics on both an absolute basis and relative to our peers, final payout amounts will be subject to reduction if PNC fails to meet certain risk-related performance metrics as specified in the award agreement. However, the P&CC has the discretion to waive any or all of this reduction under certain circumstances. These awards have either a three-year or a four-year performance period and are payable in either stock or a combination of stock and cash.

Table 102: Nonvested Incentive/Performance Unit Share Awards and Restricted Stock/Share Unit Awards Rollforward

Shares in thousands	Nonvested Incentive/ Performance Unit Shares	Weighted-Average Grant Date Fair Value	Nonvested Restricted Stock/ Share Units	Weighted-Average Grant Date Fair Value
December 31, 2013	1,647	$ 63.49	3,483	$ 62.70
Granted	723	79.90	1,167	81.39
Vested/Released	(513)	63.64	(871)	63.10
Forfeited	(19)	68.37	(105)	68.67
September 30, 2014	1,838	$ 69.85	3,674	$ 68.38

In the preceding table, the unit shares and related weighted-average grant date fair value of the incentive/performance awards exclude the effect of dividends on the underlying shares, as those dividends will be paid in cash.

Liability Awards

A summary of all nonvested, cash-payable incentive/performance units and restricted share unit activity follows:

Table 103: Nonvested Cash-Payable Incentive/Performance Units and Restricted Share Units Rollforward

In thousands	Cash-Payable Incentive/ Performance Units	Cash-Payable Restricted Share Units	Total
Outstanding at December 31, 2013	116	825	941
Granted	100	269	369
Vested and Released	(39)	(425)	(464)
Forfeited		(8)	(8)
Outstanding at September 30, 2014	177	661	838

Included in the preceding table are cash-payable restricted share units granted to certain executives. These grants were made primarily as part of an annual bonus incentive deferral plan. While there are time-based and other vesting criteria, there are generally no market or performance criteria associated with these awards. Compensation expense recognized related to these awards was recorded in prior periods as part of annual cash bonus criteria. As of September 30, 2014, the aggregate intrinsic value of all outstanding nonvested cash-payable incentive/performance units and restricted share units was $72 million.

NOTE 12 FINANCIAL DERIVATIVES

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

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

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

Table 104: Total Gross Derivatives

	September 30, 2014			December 31, 2013		
In millions	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Derivatives designated as hedging instruments under GAAP	$ 43,305	$ 1,026	$ 233	$ 36,197	$ 1,189	$ 364
Derivatives not designated as hedging instruments under GAAP	299,533	3,325	3,314	345,059	3,604	3,570
Total gross derivatives	$ 342,838	$ 4,351	$ 3,547	$ 381,256	$ 4,793	$ 3,934

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

All derivatives are carried on our Consolidated Balance Sheet at fair value. Credit risk is included in the determination of the estimated net fair value of the derivatives. Derivative balances are presented on the Consolidated Balance Sheet on a net basis taking into consideration the effects of legally enforceable master netting agreements and any related cash collateral exchanged with counterparties.

Derivatives Designated As Hedging Instruments under GAAP

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

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

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

Table 105: Derivatives Designated As Hedging Instruments under GAAP

	September 30, 2014			December 31, 2013		
In millions	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Interest rate contracts:						
Fair value hedges:						
Receive-fixed swaps (c)	$ 19,782	$ 723	$ 108	$ 16,446	$ 871	$ 230
Pay-fixed swaps (c) (d)	4,457	12	96	4,076	54	66
Subtotal	$ 24,239	$ 735	$ 204	$ 20,522	$ 925	$ 296
Cash flow hedges:						
Receive-fixed swaps (c)	$ 17,571	$ 282	$ 29	$ 14,737	$ 264	$ 58
Forward purchase commitments	550	2				
Subtotal	$ 18,121	$ 284	$ 29	$ 14,737	$ 264	$ 58
Foreign exchange contracts:						
Net investment hedge	945	7		938		10
Total derivatives designated as hedging instruments	$ 43,305	$ 1,026	$ 233	$ 36,197	$ 1,189	$ 364

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

The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 44% were based on 1-month LIBOR and 56% on 3-month LIBOR at September 30, 2014 compared with 43% and 57%, respectively, at December 31, 2013.

(d) Includes zero-coupon swaps.

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Fair Value Hedges

We enter into receive-fixed, pay-variable interest rate swaps to hedge changes in the fair value of outstanding fixed-rate debt and borrowings caused by fluctuations in market interest rates. We also enter into pay-fixed, receive-variable interest rate swaps and zero-coupon swaps to hedge changes in the fair value of fixed rate and zero-coupon investment securities caused by fluctuations in market interest rates. For these hedge relationships, we use statistical regression analysis to assess hedge effectiveness at both the inception of the hedge relationship and on an ongoing basis. There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness.

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

Table 106: Gains (Losses) on Derivatives and Related Hedged Items   Fair Value Hedges

			Three months ended				Nine months ended			
			September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
In millions	Hedged Items	Location	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount	Gain (Loss) on Derivatives Recognized in Income Amount	Gain (Loss) on Related Hedged Items Recognized in Income Amount
Interest rate contracts	U.S. Treasury and Government Agencies Securities	Investment securities (interest income)	$ 31	$ (31)	$ (1)		$ (52)	$ 55	$ 62	$ (66)
Interest rate contracts	Other Debt Securities	Investment securities (interest income)	2	(2)	1		1	(1)	6	(5)
Interest rate contracts	Subordinated debt	Borrowed funds (interest expense)	(69)	66	(24)	$ 13	5	(23)	(287)	269
Interest rate contracts	Bank notes and senior debt	Borrowed funds (interest expense)	(78)	77	(5)	1	(19)	15	(276)	269
Total (a)			$ (114)	$ 110	$ (29)	$ 14	$ (65)	$ 46	$ (495)	$ 467

(a) The ineffective portion of the change in value of our fair value hedge derivatives resulted in net losses of $4 million for the three months ended September 30, 2014 and net losses of $19 million for the nine months ended September 30, 2014 compared with net losses of $15 million for the three months ended September 30, 2013 and net losses of $28 million for the nine months ended September 30, 2013.

Cash Flow Hedges

We enter into receive-fixed, pay-variable interest rate swaps to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of changes in future cash flows due to market interest rate changes. For these cash flow hedges, any changes in the fair value of the derivatives that are effective in offsetting changes in the forecasted interest cash flows are recorded in Accumulated other comprehensive income and are reclassified to interest income in conjunction with the recognition of interest received on the loans. In the 12 months that follow September 30, 2014, we expect to reclassify from the amount currently reported in Accumulated other comprehensive income, net derivative gains of $216 million pretax, or $140 million after-tax, in association with interest received on the hedged loans. This amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to September 30, 2014. The maximum length of time over which forecasted loan cash flows are hedged is 10 years. We use statistical regression analysis to assess the effectiveness of these hedge relationships at both the inception of the hedge relationship and on an ongoing basis.

We also periodically enter into forward purchase and sale contracts to hedge the variability of the consideration that will be paid or received related to the purchase or sale of investment securities. The forecasted purchase or sale is consummated upon gross settlement of the forward contract itself. As a result, hedge ineffectiveness, if any, is typically minimal. Gains and losses on these forward contracts are recorded in Accumulated other comprehensive income and are recognized in earnings when the hedged cash flows affect earnings. In the 12 months that follow September 30, 2014, we expect to reclassify from the amount currently reported in Accumulated other comprehensive income, net derivative gains of $13 million pretax, or $8 million after-tax, as adjustments of yield on investment securities. As of September 30, 2014, the maximum length of time over which forecasted purchase contracts are hedged is two months.

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

During the first nine months of 2014 and 2013, there were no gains or losses from cash flow hedge derivatives reclassified to earnings because it became probable that the original forecasted transaction would not occur.

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

Table 107: Gains (Losses) on Derivatives and Related Cash Flows Cash Flow Hedges (a) (b)

In millions	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Gains (losses) on derivatives recognized in OCI (effective portion)	$ (17)	$ 75	$ 193	$ (104)
Less: Gains (losses) reclassified from accumulated OCI into income (effective portion)				
Interest income	64	79	200	265
Noninterest income		27	(2)	50
Total gains (losses) reclassified from accumulated OCI into income (effective portion)	64	106	198	315
Net unrealized gains (losses) on cash flow hedge derivatives	$ (81)	$ (31)	$ (5)	$ (419)

(a) All cash flow hedge derivatives are interest rate contracts as of September 30, 2014 and September 30, 2013.
(b) The amount of cash flow hedge ineffectiveness recognized in income was not material for the periods presented.

Net Investment Hedges

We enter into foreign currency forward contracts to hedge non-U.S. Dollar (USD) net investments in foreign subsidiaries against adverse changes in foreign exchange rates. We assess whether the hedging relationship is highly effective in achieving offsetting changes in the value of the hedge and hedged item by qualitatively verifying that the critical terms of the hedge and hedged item match at the inception of the hedging relationship and on an ongoing basis. There were no components of derivative gains or losses excluded from the assessment of the hedge effectiveness.

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

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

Table 108: Gains (Losses) on Derivatives Net Investment Hedges

In millions	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Gains (losses) on derivatives recognized in OCI (effective portion)				
Foreign exchange contracts	$ 51	$ (55)	$ 18	$ 1

Derivatives Not Designated As Hedging Instruments under GAAP

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

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

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

Table 109: Derivatives Not Designated As Hedging Instruments under GAAP

	September 30, 2014			December 31, 2013		
In millions	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	Notional/ Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Derivatives used for residential mortgage banking activities:						
Residential mortgage servicing						
Interest rate contracts:						
Swaps	$ 34,919	$ 548	$ 266	$ 37,424	$ 654	$ 360
Swaptions	1,398	25	20	845	18	18
Futures (c)	25,451			49,250		
Futures options	13,075	2	2	24,000	10	2
Mortgage-backed securities commitments	525		1	832		3
Subtotal	$ 75,368	$ 575	$ 289	$ 112,351	$ 682	$ 383
Loan sales						
Interest rate contracts:						
Futures (c)	$ 103			$ 350		
Bond options	300	$ 1		200	$ 1	
Mortgage-backed securities commitments	4,507	5	$ 9	5,173	26	$ 9
Residential mortgage loan commitments	2,058	20		1,605	13	
Subtotal	$ 6,968	$ 26	$ 9	$ 7,328	$ 40	$ 9
Subtotal	$ 82,336	$ 601	$ 298	$ 119,679	$ 722	$ 392
Derivatives used for commercial mortgage banking activities:						
Interest rate contracts:						
Swaps	$ 3,533	$ 34	$ 41	$ 2,158	$ 23	$ 52
Swaptions	439	3	2	125		3
Futures (c)	20,170			4,598		
Futures options	5,250		1	45,500	15	4
Commercial mortgage loan commitments	1,038	6	3	673	20	11
Subtotal	$ 30,430	$ 43	$ 47	$ 53,054	$ 58	$ 70
Credit contracts:						
Credit default swaps	95		1	95		
Subtotal	$ 30,525	$ 43	$ 48	$ 53,149	$ 58	$ 70
Derivatives used for customer-related activities:						
Interest rate contracts:						
Swaps	$ 142,087	$ 2,363	$ 2,281	$ 134,408	$ 2,540	$ 2,445
Caps/floors Sold	4,557		15	4,789		11
Caps/floors Purchased	6,033	35		5,519	37	
Swaptions	2,798	60	16	2,354	49	51
Futures (c)	4,791			1,856		
Mortgage-backed securities commitments	2,566	4	3	1,515	4	3
Subtotal	$ 162,832	$ 2,462	$ 2,315	$ 150,441	$ 2,630	$ 2,510
Foreign exchange contracts	13,056	194	159	14,316	192	172
Credit contracts:						
Risk participation agreements	5,505	2	3	4,777	2	4
Subtotal	$ 181,393	$ 2,658	$ 2,477	$ 169,534	$ 2,824	$ 2,686
Derivatives used for other risk management activities:						
Interest rate contracts:						
Swaps	$ 234			$ 511		
Futures (c)	1,585			838		
Mortgage-backed securities commitments	500	$ 1				
Subtotal	$ 2,319	$ 1		$ 1,349		
Foreign exchange contracts	1,442	22		8		
Credit contracts:						
Credit default swaps	15					
Other contracts (d)	1,503		$ 491	1,340		$ 422
Subtotal	$ 5,279	$ 23	$ 491	$ 2,697		$ 422
Total derivatives not designated as hedging instruments	$ 299,533	$ 3,325	$ 3,314	$ 345,059	$ 3,604	$ 3,570

(a) Included in Other assets on our Consolidated Balance Sheet.
(b) Included in Other liabilities on our Consolidated Balance Sheet.
(c) Futures contracts settle in cash daily and therefore, no derivative asset or liability is recognized on our Consolidated Balance Sheet.
(d) Includes PNC s obligation to fund a portion of certain BlackRock LTIP programs and the swaps entered into in connection with sales of a portion of Visa Class B common shares. Refer to Note 8 Fair Value for additional information on the Visa swaps.

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

Table 110: Gains (Losses) on Derivatives Not Designated As Hedging Instruments under GAAP

In millions	Three months ended September 30 2014	2013	Nine months ended September 30 2014	2013
Derivatives used for residential mortgage banking activities:				
Residential mortgage servicing				
Interest rate contracts	$ 15	$ 16	$ 125	$ (195)
Loan sales				
Interest rate contracts	17	20	5	247
Gains (losses) included in residential mortgage banking activities (a)	$ 32	$ 36	$ 130	$ 52
Derivatives used for commercial mortgage banking activities:				
Interest rate contracts (b) (c)	$ 4	$ 17	$ 47	$ 24
Credit contracts (c)			(1)	(1)
Gains (losses) from commercial mortgage banking activities	$ 4	$ 17	$ 46	$ 23
Derivatives used for customer-related activities:				
Interest rate contracts	$ 15	$ 21	$ 25	$ 107
Foreign exchange contracts	(5)		43	59
Equity contracts				(3)
Credit contracts		2		(1)
Gains (losses) from customer-related activities (c)	$ 10	$ 23	$ 68	$ 162
Derivatives used for other risk management activities:				
Interest rate contracts	$ 1	$ (7)	$ (14)	$ (3)
Foreign exchange contracts	80	(1)	73	1
Other contracts (d)	(52)	(32)	(79)	(109)
Gains (losses) from other risk management activities (c)	$ 29	$ (40)	$ (20)	$ (111)
Total gains (losses) from derivatives not designated as hedging instruments	$ 75	$ 36	$ 224	$ 126

(a) Included in Residential mortgage noninterest income.
(b) Included in Corporate services noninterest income.
(c) Included in Other noninterest income.
(d) Includes BlackRock LTIP funding obligation and the swaps entered into in connection with sales of a portion of Visa Class B common shares.

Credit Derivatives

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

Table 111: Credit Default Swaps (a)

Dollars in millions	September 30, 2014 Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years	December 31, 2013 Notional Amount	Weighted-Average Remaining Maturity In Years
Credit Default Swaps Purchased (b)					

Single name	$ 50	$ (1)	6.0	$ 35	7.3
Index traded	60	1	34.5	60	35.2
Total	$ 110	$	21.5	$ 95	24.9

(a) There were no credit default swaps sold as of September 30, 2014 and December 31, 2013.

(b) The fair value of credit default swaps purchased was less than $1 million as of December 31, 2013.

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

Table 112: Credit Ratings of Credit Default Swaps (a)

In millions	September 30, 2014	December 31, 2013
Credit Default Swaps Purchased		
Investment grade (b)	$ 95	$ 95
Subinvestment grade (c)	15	
Total	$ 110	$ 95

(a) There were no credit default swaps sold as of September 30, 2014 and December 31, 2013.
(b) Investment grade with a rating of BBB-/Baa3 or above based on published rating agency information.
(c) There were no subinvestment grade credit default swaps purchased as of December 31, 2013. Subinvestment grade represents a rating below BBB-/Baa3 based on published rating agency information.

The referenced/underlying assets for these credit default swaps are presented in the following table:

Table 113: Referenced/Underlying Assets of Credit Default Swaps

	September 30, 2014	December 31, 2013
Corporate debt	45%	37%
Commercial mortgage-backed securities	55%	63%

Risk Participation Agreements

We also periodically enter into risk participation agreements to share some of the credit exposure with other counterparties related to interest rate derivative contracts or to take on credit exposure to generate revenue. We will make/receive payments under these agreements if a customer defaults on its obligation to perform under certain derivative swap contracts. Risk participation agreements purchased and sold are included in these derivative tables: Tables 109 and 110.

Further detail regarding the notional amount, fair value and weighted average remaining maturities in years for risk participation agreements sold is presented in the following table:

Table 114: Risk Participation Agreements Sold

	September 30, 2014			December 31, 2013		
Dollars in millions	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years
Risk Participation Agreements Sold	$ 2,863	$ (3)	5.6	$ 2,770	$ (4)	6.1

Based on our internal risk rating process of the underlying third parties to the swap contracts, the percentages of the exposure amount of risk participation agreements sold by internal credit rating follow:

Table 115: Internal Credit Ratings of Risk Participation Agreements Sold

	September 30, 2014	December 31, 2013
Pass (a)	99%	98%
Below pass (b)	1%	2%

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

We have sold risk participation agreements with terms ranging from less than 1 year to 22 years. We will be required to make payments under these agreements if a customer defaults on its obligation to perform under certain derivative swap contracts with third parties. Assuming all underlying swap counterparties defaulted at September 30, 2014, the exposure from these agreements would be $100 million based on the fair value of the underlying swaps, compared with $77 million at December 31, 2013.

Offsetting, Counterparty Credit Risk, and Contingent Features

We, generally, utilize a net presentation on the Consolidated Balance Sheet for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. The master netting agreements reduce credit risk by permitting the closeout netting of various types of derivative instruments with the same counterparty upon the occurrence of an event of default.

For additional information on derivative offsetting, counterparty credit risk, and contingent features see Note 17 Financial Derivatives in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K. Refer to Note 17 Commitments and Guarantees in this Report for additional information related to resale and repurchase agreements offsetting.

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The following derivative Table 116 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of September 30, 2014 and December 31, 2013. The table also includes the fair value of any securities collateral held or pledged under legally enforceable master netting agreements. Cash and securities collateral amounts are included in the table only to the extent of the related net derivative fair values.

Table 116: Derivative Assets and Liabilities Offsetting

September 30, 2014 In millions	Gross Fair Value Derivative Assets	Amounts Offset on the Consolidated Balance Sheet Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Assets	Securities Collateral Held Under Master Netting Agreements	Net Amounts
Derivative assets						
Interest rate contracts	$ 4,126	$ 2,006	$ 373	$ 1,747	$ 112	$ 1,635
Foreign exchange contracts	223	118	19	86	1	85
Credit contracts	2	1		1		1
Total derivative assets (a) (b)	$ 4,351	$ 2,125	$ 392	$ 1,834 (c)	$ 113	$ 1,721

September 30, 2014 In millions	Gross Fair Value Derivative Liabilities	Amounts Offset on the Consolidated Balance Sheet Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Liabilities	Securities Collateral Pledged Under Master Netting Agreements	Net Amounts
Derivative liabilities						
Interest rate contracts	$ 2,893	$ 2,070	$ 403	$ 420		$ 420
Foreign exchange contracts	159	52	11	96		96
Credit contracts	4	3	1			
Other contracts	491			491		491
Total derivative liabilities (a) (b)	$ 3,547	$ 2,125	$ 415	$ 1,007 (d)		$ 1,007

December 31, 2013 In millions	Gross Fair Value Derivative Assets	Amounts Offset on the Consolidated Balance Sheet Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Assets	Securities Collateral Held Under Master Netting Agreements	Net Amounts
Derivative assets						
Interest rate contracts	$ 4,599	$ 2,468	$ 556	$ 1,575	$ 115	$ 1,460
Foreign exchange contracts	192	64	9	119		119
Credit contracts	2	1		1		1
Total derivative assets (a) (b)	$ 4,793	$ 2,533	$ 565	$ 1,695 (c)	$ 115	$ 1,580

December 31, 2013 In millions	Gross Fair Value Derivative Liabilities	Amounts Offset on the Consolidated Balance Sheet Fair Value Offset Amount	Cash Collateral	Net Fair Value Derivative Liabilities	Securities Collateral Pledged Under Master Netting Agreements	Net Amounts
Derivative liabilities						

Interest rate contracts	$ 3,326	$ 2,447	$ 473	$ 406	$ 406
Foreign exchange contracts	182	83	23	76	76
Credit contracts	4	3	1		
Other contracts	422			422	422
Total derivative liabilities (a) (b)	$ 3,934	$ 2,533	$ 497	$ 904 (d)	$ 904

(a) There were no derivative assets and liabilities equity contracts as of September 30, 2014 and December 31, 2013.

(b) Included derivative assets and derivative liabilities as of September 30, 2014 totaling $375 million and $319 million, respectively, related to interest rate contracts executed bilaterally with counterparties in the OTC market and novated to and cleared through a central clearing house. The comparable amounts as of December 31, 2013 totaled $331 million and $224 million, respectively. Derivative assets and liabilities as of September 30, 2014 and December 31, 2013 related to exchange-traded interest rate contracts were not material. As of September 30, 2014 and December 31, 2013, these contracts were not subject to offsetting. The remaining gross and net derivative assets and liabilities relate to contracts executed bilaterally with counterparties that are not settled through an organized exchange or central clearing house.

(c) Represents the net amount of derivative assets included in Other assets on our Consolidated Balance Sheet.

(d) Represents the net amount of derivative liabilities included in Other liabilities on our Consolidated Balance Sheet.

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In addition to using master netting and related collateral agreements to reduce credit risk associated with derivative instruments, we also seek to manage credit risk by entering into transactions with counterparties with high credit ratings, by taking collateral and by using internal credit analysis, limits, and monitoring procedures. Collateral may also be exchanged under certain derivative agreements that are not considered master netting agreements.

At September 30, 2014, we held cash, U.S. government securities and mortgage-backed securities totaling $641 million under master netting and other collateral agreements to collateralize net derivative assets due from counterparties, and we have pledged cash totaling $446 million under these agreements to collateralize net derivative liabilities owed to counterparties. These totals may differ from the amounts presented in the preceding offsetting table because they may include collateral exchanged under an agreement that does not qualify as a master netting agreement or because the total amount of collateral held or pledged exceeds the net derivative fair value with the counterparty as of the balance sheet date due to timing or other factors. To the extent not netted against the derivative fair value under a master netting agreement, the receivable for cash pledged is included in Other assets and the obligation for cash held is included in Other borrowed funds on our Consolidated Balance Sheet. Securities held from counterparties are not recognized on our balance sheet. Likewise securities we have pledged to counterparties remain on our balance sheet.

Certain of the master netting agreements and certain other derivative agreements also contain provisions that require PNC s debt to maintain an investment grade credit rating from each of the major credit rating agencies. If PNC s debt ratings were to fall below investment grade, we would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on September 30, 2014 was $581 million for which PNC had posted collateral of $432 million in the normal course of business. The maximum additional amount of collateral PNC would have been required to post if the credit-risk-related contingent features underlying these agreements had been triggered on September 30, 2014 would be $149 million.

NOTE 13 EARNINGS PER SHARE

Table 117: Basic and Diluted Earnings per Common Share

In millions, except per share data	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Basic				
Net income (a)	$ 1,038	$ 1,028	$ 3,150	$ 3,138
Less:				
Net income (loss) attributable to noncontrolling interests (a)	1	2	2	(2)
Preferred stock dividends and discount accretion and redemptions	71	71	189	199
Net income attributable to common shares	966	955	2,959	2,941
Less:				
Dividends and undistributed earnings allocated to nonvested restricted shares	3	4	9	13
Net income attributable to basic common shares	$ 963	$ 951	$ 2,950	$ 2,928
Basic weighted-average common shares outstanding	529	529	531	528
Basic earnings per common share (b)	$ 1.82	$ 1.80	$ 5.55	$ 5.55
Diluted				
Net income attributable to basic common shares	$ 963	$ 951	$ 2,950	$ 2,928
Less: Impact of BlackRock earnings per share dilution	4	4	13	13
Net income attributable to diluted common shares	$ 959	$ 947	$ 2,937	$ 2,915
Basic weighted-average common shares outstanding	529	529	531	528
Dilutive potential common shares (c) (d)	8	5	8	3
Diluted weighted-average common shares outstanding	537	534	539	531
Diluted earnings per common share (b)	$ 1.79	$ 1.77	$ 5.45	$ 5.49

(a) Amounts for 2013 periods have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.

(b) Basic and diluted earnings per share under the two-class method are determined on net income reported on the income statement less earnings allocated to nonvested restricted shares (participating securities).

(c)

Excludes stock options considered to be anti-dilutive of 1 million for the three months and nine months ended September 30, 2013. No stock options were considered to be anti-dilutive for the three months and nine months ended September 30, 2014.

(d) No warrants were considered to be anti-dilutive for the three months and nine months ended September 30, 2014 and September 30, 2013, respectively.

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NOTE 14 TOTAL EQUITY AND OTHER COMPREHENSIVE INCOME

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

Table 118: Rollforward of Total Equity

				Shareholders Equity					
In millions	Shares Outstanding Common Stock	Common Stock	Capital Surplus - Preferred Stock	Capital Surplus - Common Stock and Other	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	Total Equity
Balance at December 31, 2012	528	$ 2,690	$ 3,590	$ 12,193	$ 20,265	$ 834	$ (569)	$ 2,762	$ 41,765
Cumulative effect of adopting ASU 2014-01 (a)					(55)			10	(45)
Balance at January 1, 2013	528	$ 2,690	$ 3,590	$ 12,193	$ 20,210	$ 834	$ (569)	$ 2,772	$ 41,720
Net income (a)					3,140			(2)	3,138
Other comprehensive income (loss), net of tax						(787)			(787)
Cash dividends declared									
Common ($1.28 per share)					(677)				(677)
Preferred					(188)				(188)
Preferred stock discount accretion			4		(4)				
Redemption of noncontrolling interests (b)					(7)			(368)	(375)
Common stock activity	1	5		64					69
Treasury stock activity	3			(49)			146		97
Preferred stock redemption Series L (c)			(150)						(150)
Preferred stock issuance Series R (d)			496						496
Other				102				(698)	(596)
Balance at September 30, 2013 (e)	532	$ 2,695	$ 3,940	$ 12,310	$ 22,474	$ 47	$ (423)	$ 1,704	$ 42,747
Balance at December 31, 2013	533	$ 2,698	$ 3,941	$ 12,416	$ 23,325	$ 436	$ (408)	$ 1,689	$ 44,097
Cumulative effect of adopting ASU 2014-01 (a)					(74)			14	(60)
Cumulative effect of adopting ASC 860-50 (f)					2				2
Balance at January 1, 2014	533	$ 2,698	$ 3,941	$ 12,416	$ 23,253	$ 436	$ (408)	$ 1,703	$ 44,039
Net income					3,148			2	3,150
Other comprehensive income (loss), net of tax						291			291
Cash dividends declared									
Common ($1.40 per share)					(748)				(748)
Preferred					(185)				(185)
Preferred stock discount accretion			4		(4)				
Common stock activity	1	5		56					61
Treasury stock activity	(6)			12			(523)		(511)
Other				89				(191)	(102)
Balance at September 30, 2014 (e)	528	$ 2,703	$ 3,945	$ 12,573	$ 25,464	$ 727	$ (931)	$ 1,514	$ 45,995

(a) Amounts for 2013 periods have been updated to reflect the first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits. See Note 1 Accounting Policies for further detail of the adoption.

(b) Relates to the redemption of REIT preferred securities in the first quarter of 2013. See Note 14 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities for additional information in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K.

(c) 1,500 Series L preferred shares with a $1 par value were redeemed on April 19, 2013.

(d) 5,000 Series R preferred shares with a $1 par value were issued on May 7, 2013.

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

(f) Amount represents the cumulative impact of our January 1, 2014 irrevocable election to prospectively measure all classes of commercial MSRs at fair value. See Note 1 Accounting Policies in Part 1. Item 1 of our Form 10-Q for the quarter ended March 31, 2014 and Note 9 Goodwill and Other Intangible Assets in this Report for more information on this election.

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Table 119: Other Comprehensive Income

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

In millions	Pretax	Tax	After-tax
Net unrealized gains (losses) on non-OTTI securities			
Balance at June 30, 2013	$ 895	$ (332)	$ 563
Third Quarter 2013 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	(77)	31	(46)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	(3)	1	(2)
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	(6)	2	(4)
Net unrealized gains (losses) on non-OTTI securities	(68)	28	(40)
Balance at September 30, 2013	827	(304)	523
Balance at June 30, 2014	1,048	(385)	663
Third Quarter 2014 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	(125)	46	(79)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	7	(3)	4
Net unrealized gains (losses) on non-OTTI securities	(132)	49	(83)
Balance at September 30, 2014	$ 916	$ (336)	$ 580
Net unrealized gains (losses) on OTTI securities			
Balance at June 30, 2013	$ (99)	$ 37	$ (62)
Third Quarter 2013 activity			
Increase in net unrealized gains (losses) on OTTI securities	56	(20)	36
Less: OTTI losses realized on securities reclassified to noninterest income	(2)	1	(1)
Net unrealized gains (losses) on OTTI securities	58	(21)	37
Balance at September 30, 2013	(41)	16	(25)
Balance at June 30, 2014	143	(51)	92
Third Quarter 2014 activity			
Increase in net unrealized gains (losses) on OTTI securities	14	(5)	9
Less: OTTI losses realized on securities reclassified to noninterest income	(1)	1	
Net unrealized gains (losses) on OTTI securities	15	(6)	9
Balance at September 30, 2014	$ 158	$ (57)	$ 101
Net unrealized gains (losses) on cash flow hedge derivatives			
Balance at June 30, 2013	$ 523	$ (191)	$ 332
Third Quarter 2013 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	75	(28)	47
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	63	(23)	40
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	16	(6)	10
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	27	(10)	17
Net unrealized gains (losses) on cash flow hedge derivatives	(31)	11	(20)
Balance at September 30, 2013	492	(180)	312
Balance at June 30, 2014	460	(168)	292
Third Quarter 2014 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	(17)	6	(11)
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	61	(22)	39
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	3	(1)	2
Net unrealized gains (losses) on cash flow hedge derivatives	(81)	29	(52)
Balance at September 30, 2014	$ 379	$ (139)	$ 240

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In millions	Pretax	Tax	After-tax
Pension and other postretirement benefit plan adjustments			
Balance at June 30, 2013	$ (1,173)	$ 429	$ (744)
Third Quarter 2013 activity			
Net pension and other postretirement benefit plan activity	(1)		(1)
Amortization of actuarial loss (gain) reclassified to other noninterest expense	24	(8)	16
Amortization of prior service cost (credit) reclassified to other noninterest expense	(2)	1	(1)
Total Third Quarter 2013 activity	21	(7)	14
Balance at September 30, 2013	(1,152)	422	(730)
Balance at June 30, 2014	(283)	103	(180)
Third Quarter 2014 activity			
Amortization of actuarial loss (gain) reclassified to other noninterest expense	1		1
Amortization of prior service cost (credit) reclassified to other noninterest expense	(3)	1	(2)
Total Third Quarter 2014 activity	(2)	1	(1)
Balance at September 30, 2014	$ (285)	$ 104	$ (181)
Other			
Balance at June 30, 2013	$ (54)	$ 10	$ (44)
Third Quarter 2013 Activity			
PNC s portion of BlackRock s OCI	3	8	11
Net investment hedge derivatives (b)	(55)	21	(34)
Foreign currency translation adjustments	55	(21)	34
Total Third Quarter 2013 activity	3	8	11
Balance at September 30, 2013	(51)	18	(33)
Balance at June 30, 2014	(13)	27	14
Third Quarter 2014 Activity			
PNC s portion of BlackRock s OCI	(10)	4	(6)
Net investment hedge derivatives (b)	51	(19)	32
Foreign currency translation adjustments (c)	(53)		(53)
Total Third Quarter 2014 activity	(12)	(15)	(27)
Balance at September 30, 2014	$ (25)	$ 12	$ (13)

(a) Cash flow hedge derivatives are interest rate contract derivatives designated as hedging instruments under GAAP.

(b) Net investment hedge derivatives are foreign exchange contracts designated as hedging instruments under GAAP.

(c) As of September 30, 2013, PNC made an assertion under ASC 740 Income Taxes that the earnings of PNC s Luxembourg-UK lending business were indefinitely reinvested; thereafter, no U.S. deferred income tax has been recorded on the foreign currency translation of the investment.

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In millions	Pretax	Tax	After-tax
Net unrealized gains (losses) on non-OTTI securities			
Balance at December 31, 2012	$ 1,858	$ (681)	$ 1,177
2013 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	(963)	352	(611)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	22	(8)	14
Less: Net gains (losses) realized on sale of securities reclassified to noninterest income	46	(17)	29
Net unrealized gains (losses) on non-OTTI securities	(1,031)	377	(654)
Balance at September 30, 2013	827	(304)	523
Balance at December 31, 2013	647	(238)	409
2014 activity			
Increase in net unrealized gains (losses) on non-OTTI securities	296	(108)	188
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	21	(8)	13
Less: Net gains (losses) realized on sale of securities reclassified to noninterest income	6	(2)	4
Net unrealized gains (losses) on non-OTTI securities	269	(98)	171
Balance at September 30, 2014	$ 916	$ (336)	$ 580
Net unrealized gains (losses) on OTTI securities			
Balance at December 31, 2012	$ (195)	$ 72	$ (123)
2013 activity			
Increase in net unrealized gains (losses) on OTTI securities	138	(50)	88
Less: OTTI losses realized on securities reclassified to noninterest income	(16)	6	(10)
Net unrealized gains (losses) on OTTI securities	154	(56)	98
Balance at September 30, 2013	(41)	16	(25)
Balance at December 31, 2013	36	(12)	24
2014 activity			
Increase in net unrealized gains (losses) on OTTI securities	118	(43)	75
Less: OTTI losses realized on securities reclassified to noninterest income	(4)	2	(2)
Net unrealized gains (losses) on OTTI securities	122	(45)	77
Balance at September 30, 2014	$ 158	$ (57)	$ 101
Net unrealized gains (losses) on cash flow hedge derivatives			
Balance at December 31, 2012	$ 911	$ (333)	$ 578
2013 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	(104)	38	(66)
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	216	(79)	137
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	49	(18)	31
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	50	(18)	32
Net unrealized gains (losses) on cash flow hedge derivatives	(419)	153	(266)
Balance at September 30, 2013	492	(180)	312
Balance at December 31, 2013	384	(141)	243
2014 activity			
Increase in net unrealized gains (losses) on cash flow hedge derivatives	193	(72)	121
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income (a)	191	(70)	121
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income (a)	9	(4)	5
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income (a)	(2)		(2)
Net unrealized gains (losses) on cash flow hedge derivatives	(5)	2	(3)
Balance at September 30, 2014	$ 379	$ (139)	$ 240

In millions	Pretax	Tax	After-tax
Pension and other postretirement benefit plan adjustments			
Balance at December 31, 2012	$ (1,226)	$ 449	$ (777)
2013 Activity			
Net pension and other postretirement benefit plan activity	11	(4)	7
Amortization of actuarial loss (gain) reclassified to other noninterest expense	71	(26)	45
Amortization of prior service cost (credit) reclassified to other noninterest expense	(8)	3	(5)
Total 2013 activity	74	(27)	47
Balance at September 30, 2013	(1,152)	422	(730)
Balance at December 31, 2013	(374)	137	(237)
2014 Activity			
Net pension and other postretirement benefit plan activity	93	(35)	58
Amortization of actuarial loss (gain) reclassified to other noninterest expense	3	(1)	2
Amortization of prior service cost (credit) reclassified to other noninterest expense	(7)	3	(4)
Total 2014 Activity	89	(33)	56
Balance at September 30, 2014	$ (285)	$ 104	$ (181)
Other			
Balance at December 31, 2012	$ (41)	$ 20	$ (21)
2013 Activity			
PNC s portion of BlackRock s OCI	(8)	(3)	(11)
Net investment hedge derivatives (b)	1		1
Foreign currency translation adjustments	(3)	1	(2)
Total 2013 activity	(10)	(2)	(12)
Balance at September 30, 2013	(51)	18	(33)
Balance at December 31, 2013	(20)	17	(3)
2014 Activity			
PNC s portion of BlackRock s OCI	(3)	2	(1)
Net investment hedge derivatives (b)	18	(7)	11
Foreign currency translation adjustments (c)	(20)		(20)
Total 2014 activity	(5)	(5)	(10)
Balance at September 30, 2014	$ (25)	$ 12	$ (13)

(a) Cash flow hedge derivatives are interest rate contract derivatives designated as hedging instruments under GAAP.
(b) Net investment hedge derivatives are foreign exchange contracts designated as hedging instruments under GAAP.
(c) As of September 30, 2013, PNC made an assertion under ASC 740 Income Taxes that the earnings of PNC s Luxembourg-UK lending business were indefinitely reinvested; thereafter, no U.S. deferred income tax has been recorded on the foreign currency translation of the investment.

Table 120: Accumulated Other Comprehensive Income (Loss) Components

	September 30, 2014		December 31, 2013	
In millions	Pretax	After-tax	Pretax	After-tax
Net unrealized gains (losses) on non-OTTI securities	$ 916	$ 580	$ 647	$ 409
Net unrealized gains (losses) on OTTI securities	158	101	36	24
Net unrealized gains (losses) on cash flow hedge derivatives	379	240	384	243
Pension and other postretirement benefit plan adjustments	(285)	(181)	(374)	(237)
Other	(25)	(13)	(20)	(3)
Accumulated other comprehensive income (loss)	$ 1,143	$ 727	$ 673	$ 436

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NOTE 15 INCOME TAXES

The net operating loss carryforwards at September 30, 2014 and December 31, 2013 follow:

Table 121: Net Operating Loss Carryforwards and Tax Credit Carryforwards

In millions	September 30 2014	December 31 2013
Net Operating Loss Carryforwards:		
Federal	$ 1,037	$ 1,116
State	2,723	2,958
Tax Credit Carryforwards:		
Federal	$ 84	$ 221
State	9	7

The federal net operating loss carryforward expires in 2032. The state net operating loss carryforwards will expire from 2014 to 2031. The majority of the tax credit carryforwards expire in 2033. All federal and most state net operating loss and credit carryforwards are from acquired entities and utilization is subject to various statutory limitations. It is anticipated that the company will be able to fully utilize its carryforwards for federal tax purposes, but a valuation allowance of $65 million has been recorded against certain state tax carryforwards as of September 30, 2014. ASU 2013-11, which was adopted as of January 1, 2014, requires entities to present an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryover. If these tax positions were successfully challenged by a state, the state net operating losses listed above could be reduced by $60 million.

Examinations are substantially completed for PNC s consolidated federal income tax returns for 2007 through 2010 and are effectively settled. The Internal Revenue Service (IRS) is currently examining PNC s 2011 through 2013 returns. National City s consolidated federal income tax returns through 2008 have been audited by the IRS. Certain adjustments remain under review by the IRS Appeals Division for years 2004 through 2008.

The Company had unrecognized tax benefits of $80 million at September 30, 2014 and $110 million at December 31, 2013. At September 30, 2014, $66 million of unrecognized tax benefits, if recognized, would favorably impact the effective income tax rate.

It is reasonably possible that the liability for unrecognized tax benefits could increase or decrease in the next twelve months due to completion of tax authorities exams or the expiration of statutes of limitations. Management estimates that the liability for unrecognized tax benefits could decrease by $59 million within the next twelve months.

ASU 2014-01 was adopted effective January 1, 2014. Under this standard, amortization of investments in qualified low income housing tax credits is reported within income tax expense. Certain amounts for 2013 periods including income tax provision have been updated to reflect the adoption.

NOTE 16 LEGAL PROCEEDINGS

We establish accruals for legal proceedings, including litigation and regulatory and governmental investigations and inquiries, when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changed circumstances. When we are able to do so, we also determine estimates of possible losses or ranges of possible losses, whether in excess of any related accrued liability or where there is no accrued liability, for disclosed legal proceedings (Disclosed Matters, which are those matters disclosed in this Note 16 as well as those matters disclosed in Note 23 Legal Proceedings in Part II, Item 8 of our 2013 Form 10-K and Note 16 Legal Proceedings in Part I, Item 1 of our Forms 10-Q for the quarters ended March 31 and June 30, 2014 (such prior disclosure referred to as Prior Disclosure)). For Disclosed Matters where we are able to estimate such possible losses or ranges of possible losses, as of September 30, 2014, we estimate that it is reasonably possible that we could incur losses in an aggregate amount of up to approximately $750 million. The estimates included in this amount are based on our analysis of currently available information and are subject to significant judgment and a variety of assumptions and uncertainties. As new information is obtained we may change our estimates. Due to the inherent subjectivity of the assessments and unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to us from the legal proceedings in question. Thus, our exposure and ultimate losses may be higher, and possibly significantly so, than the amounts accrued or this aggregate amount.

In our experience, legal proceedings are inherently unpredictable. One or more of the following factors frequently contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis or, if permitted to proceed as a class action, how the class will be defined; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental investigations and inquiries, the possibility of fines and penalties); the matter presents meaningful legal uncertainties, including novel issues of law; we have not engaged in meaningful settlement discussions; discovery has not started or is not complete; there are significant facts in dispute; the possible outcomes may not be amenable to the use of statistical or quantitative analytical tools; predicting possible outcomes depends on making assumptions about future decisions of courts or regulatory bodies or the behavior of other parties; and there are a large number of parties named as defendants (including where it is uncertain how damages or liability, if any, will be shared among multiple defendants). Generally, the less progress that has been made in the proceedings or the broader the range of potential results, the harder it is for us to estimate losses or ranges of losses that it is reasonably possible we could incur.

As a result of these types of factors, we are unable, at this time, to estimate the losses that it is reasonably possible that we could incur or ranges of such losses with respect to some of the matters disclosed, and the aggregate estimated amount provided above does not include an estimate for every Disclosed Matter. Therefore, as the estimated aggregate amount disclosed above does not include all of the Disclosed Matters, the amount disclosed above does not represent our maximum reasonably possible loss exposure for all of the Disclosed Matters. The estimated aggregate amount also does not reflect any of our exposure to matters not so disclosed, as discussed below under Other.

We include in some of the descriptions of individual Disclosed Matters certain quantitative information related to the plaintiff s claim against us as alleged in the plaintiff s pleadings or other public filings or otherwise publicly available information. While information of this type may provide insight into the potential magnitude of a matter, it does not necessarily represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual.

Some of our exposure in Disclosed Matters may be offset by applicable insurance coverage. We do not consider the possible availability of insurance coverage in determining the amounts of any accruals (although we record the amount of related insurance recoveries that are deemed probable up to the amount of the accrual) or in determining any estimates of possible losses or ranges of possible losses.

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

Overdraft Litigation

In October 2014, in *Dasher v. RBC Bank* (10-cv-22190-JLK), currently pending for pre-trial proceedings in the United States District Court for the Southern District of Florida under the caption *In re Checking Account Overdraft Litigation* (MDL No. 2036, Case No. 1:09-MD-02036-JLK), the United States Supreme Court denied our petition for a writ of certiorari seeking review of the ruling by the United States Court of Appeals for the Eleventh Circuit. Accordingly, the stay of the court of appeals ruling is no longer in effect.

Captive Mortgage Reinsurance Litigation

In August 2014, in *White, et al. v. The PNC Financial Services Group, Inc., et al.* (Civil Action No. 11-7928), the court denied our motion to dismiss. We then filed an uncontested motion to stay all proceedings pending the outcome of another matter currently on appeal before the United States Court of Appeals for the Third Circuit that involves overlapping issues. In September 2014, the district court granted the stay. In October 2014, the court of appeals decided the other matter. Proceedings have not yet resumed in the district court in our matter.

Lender Placed Insurance Litigation

In August 2014, the United States District Court for the Southern District of Florida granted in part and denied in part PNC s motion to dismiss in *Montoya, et al. v. PNC Bank, N.A., et al.* (Case No. 1:14-cv-20474-JEM). Specifically, the court dismissed the breach of contract, Florida deceptive and unfair trade practices, and federal TILA and RICO claims, although it allowed the RICO claims to be re-pled. The remaining claims are state claims for breach of the covenant of good faith, unjust enrichment, the New Jersey Consumer Fraud Act, and breach of fiduciary duty. Thereafter, in September 2014, on plaintiffs uncontested motions, the plaintiff in *Lauren vs. PNC Bank, N.A.*, *et al*. (Case No. 2:14-cv-00230), pending in the United States District Court for the Southern District of Ohio, voluntarily dismissed the lawsuit and a third amended complaint in *Montoya* was filed adding Lauren as a plaintiff there. In October 2014, PNC moved to partially dismiss the third amended complaint. The motion to dismiss seeks dismissal of the re-pleaded RICO claims and plaintiff Lauren s state law claims for breach of the covenant of good faith and fair dealing and breach of fiduciary duty. At the same time, PNC also moved to strike the plaintiffs nationwide class allegations with respect to the state law claims. Shortly thereafter, the plaintiffs stipulated to this relief, as a result of which the plaintiffs state law claims are now being brought solely as statewide class action claims in the three states in which the plaintiffs reside.

Patent Infringement Litigation

In *Intellectual Ventures I LLC and Intellectual Ventures II LLC v. PNC Bank Financial Services Group, Inc., PNC Bank NA, and PNC Merchant Services Company, LP* (Case No. 2:14-cv-00832-AKS), the United States District Court for the Western District of Pennsylvania has stayed the case pending the PTO s consideration of various review petitions of the patents at issue in this case, as well as the review of the patents at issue in the other lawsuit pending in the same court (*Intellectual Ventures I LLC and Intellectual Ventures II LLC vs. PNC Financial Services Group, Inc., and PNC Bank, NA*, (Case No. 2:13-cv-00740-AJS)) and the appeals from any PTO decisions.

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Mortgage Repurchase Litigation

In October 2014, the United States District Court for the District of Minnesota granted our motion to dismiss with prejudice the breach of contract claims in the amended complaint in *Residential Funding Company, LLC v. PNC Bank, N.A., et al.* (Civil No. 13-3498-JRT-JSM) with respect to loans sold before May 14, 2006 and otherwise denied our motion to dismiss.

Pre-need Funeral Arrangements

In September 2014, the plaintiffs in *Jo Ann Howard, P.C., et al. v. Cassity, et al.* (No. 4:09-CV-1252-ERW) (currently pending in the United States District Court for the Eastern District of Missouri) filed a motion seeking leave to amend their complaint to reassert aiding and abetting claims previously dismissed by the court in 2012.

Other Regulatory and Governmental Inquiries

PNC is the subject of investigations, audits and other forms of regulatory and governmental inquiry covering a broad range of issues in our banking, securities and other financial services businesses, in some cases as part of reviews of specified activities at multiple industry participants. Over the last few years, we have experienced increases in regulatory and governmental investigations, audits and other inquiries. Areas of current regulatory or governmental inquiry with respect to PNC include consumer protection, fair lending, mortgage origination and servicing, mortgage and non mortgage-related insurance and reinsurance, municipal finance activities, conduct by broker-dealers, automobile lending practices, and participation in government insurance or guarantee programs, some of which are described in Prior Disclosure. These inquiries, including those described in Prior Disclosure, may lead to administrative, civil or criminal proceedings, and possibly result in remedies including fines, penalties, restitution, or alterations in our business practices, and in additional expenses and collateral costs.

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

Other

In addition to the proceedings or other matters described above and in Prior Disclosure, PNC and persons to whom we may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. We do not anticipate, at the present time, that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on our financial position. However, we cannot now determine whether or not any claims asserted against us or others to whom we may have indemnification obligations, whether in the proceedings or other matters described above or otherwise, will have a material adverse effect on our results of operations in any future reporting period, which will depend on, among other things, the amount of the loss resulting from the claim and the amount of income otherwise reported for the reporting period.

See Note 17 Commitments and Guarantees for additional information regarding the Visa indemnification and our other obligations to provide indemnification, including to current and former officers, directors, employees and agents of PNC and companies we have acquired.

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NOTE 17 COMMITMENTS AND GUARANTEES

Equity Funding and Other Commitments

During the first nine months of 2014, financial support to private equity investments including existing direct portfolio companies and indirect private equity investments of $50 million was provided. Of this amount, $20 million was provided to satisfy contingent fundings to various direct investments and capital calls for commitments to various indirect private equity investments. Support to direct investments is generally to provide for growth financing or to support acquisitions or recapitalizations.

Unfunded obligations at September 30, 2014 included unfunded commitments to various private equity investments of $145 million and additional obligations to direct portfolio investments of $9 million.

Standby Letters of Credit

We issue standby letters of credit and have risk participations in standby letters of credit issued by other financial institutions, in each case to support obligations of our customers to third parties, such as insurance requirements and the facilitation of transactions involving capital markets product execution. Net outstanding standby letters of credit and internal credit ratings were as follows:

Table 122: Net Outstanding Standby Letters of Credit

Dollars in billions	September 30 2014	December 31 2013
Net outstanding standby letters of credit (a)	$ 10.2	$ 10.5
Internal credit ratings (as a percentage of portfolio):		
Pass (b)	95%	96%
Below pass (c)	5%	4%

(a) The amounts above include $5.6 billion and $6.6 billion which support remarketing programs at September 30, 2014 and December 31, 2013, respectively.
(b) Indicates that expected risk of loss is currently low.
(c) Indicates a higher degree of risk of default.

If the customer fails to meet its financial or performance obligation to the third party under the terms of the contract or there is a need to support a remarketing program, then upon a draw by a beneficiary, subject to the terms of the letter of credit, we would be obligated to make payment to them. The standby letters of credit outstanding on September 30, 2014 had terms ranging from less than 1 year to 8 years.

As of September 30, 2014, assets of $1.1 billion secured certain specifically identified standby letters of credit. In addition, a portion of the remaining standby letters of credit issued on behalf of specific customers is also secured by collateral or guarantees that secure the customers other obligations to us. The carrying amount of the liability for our obligations related to standby letters of credit and participations in standby letters of credit was $191 million at September 30, 2014.

Standby Bond Purchase Agreements and Other Liquidity Facilities

We enter into standby bond purchase agreements to support municipal bond obligations. At September 30, 2014, the aggregate of our commitments under these facilities was $1.1 billion. We also enter into certain other liquidity facilities to support individual pools of receivables acquired by commercial paper conduits. There were no commitments under these facilities at September 30, 2014.

Indemnifications

We are a party to numerous acquisition or divestiture agreements under which we have purchased or sold, or agreed to purchase or sell, various types of assets. These agreements can cover the purchase or sale of entire businesses, loan portfolios, branch banks, partial interests in companies, or other types of assets.

These agreements generally include indemnification provisions under which we indemnify the third parties to these agreements against a variety of risks to the indemnified parties as a result of the transaction in question. When PNC is the seller, the indemnification provisions will generally also provide the buyer with protection relating to the quality of the assets we are selling and the extent of any liabilities being assumed by the buyer. Due to the nature of these indemnification provisions, we cannot quantify the total potential exposure to us resulting from them.

We provide indemnification in connection with securities offering transactions in which we are involved. When we are the issuer of the securities, we provide indemnification to the underwriters or placement agents analogous to the indemnification provided to the purchasers of businesses from us, as described above. When we are an underwriter or placement agent, we provide a limited indemnification to the issuer related to our actions in connection with the offering and, if there are other underwriters, indemnification to the other underwriters intended to result in an appropriate sharing of the risk of participating in the offering. Due to the nature of these indemnification provisions, we cannot quantify the total potential exposure to us resulting from them.

In the ordinary course of business, we enter into certain types of agreements that include provisions for indemnifying third parties. We also enter into certain types of agreements, including leases, assignments of leases, and subleases, in which we agree to indemnify third parties for acts by our agents, assignees and/or sublessees, and employees. We also enter into contracts for the delivery of technology service in which we indemnify the other party against claims of patent and copyright infringement by third parties. Due to the nature of these indemnification provisions, we cannot calculate our aggregate potential exposure under them.

In the ordinary course of business, we enter into contracts with third parties under which the third parties provide services on behalf of PNC. In many of these contracts, we agree to indemnify the third party service provider under certain circumstances. The terms of the indemnity vary from contract to contract and the amount of the indemnification liability, if any, cannot be determined.

We are a general or limited partner in certain asset management and investment limited partnerships, many of which contain indemnification provisions that would require us to make payments in excess of our remaining unfunded commitments. While in certain of these partnerships the maximum liability to us is limited to the sum of our unfunded commitments and partnership distributions received by us, in the others the indemnification liability is unlimited. As a result, we cannot determine our aggregate potential exposure for these indemnifications.

In some cases, indemnification obligations of the types described above arise under arrangements entered into by predecessor companies for which we become responsible as a result of the acquisition.

Pursuant to their bylaws, PNC and its subsidiaries provide indemnification to directors, officers and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of PNC and its subsidiaries. PNC and its subsidiaries also advance on behalf of covered individuals costs incurred in connection with certain claims or proceedings, subject to written undertakings by each such individual to repay all amounts advanced if it is ultimately determined that the individual is not entitled to indemnification. We generally are responsible for similar indemnifications and advancement obligations that companies we acquire had to their officers, directors and sometimes employees and agents at the time of acquisition. We advanced such costs on behalf of several such individuals with respect to pending litigation or investigations during 2014. It is not possible for us to determine the aggregate potential exposure resulting from the obligation to provide this indemnity or to advance such costs.

Visa Indemnification

Our payment services business issues and acquires credit and debit card transactions through Visa U.S.A. Inc. card association or its affiliates (Visa). Our 2013 Form 10-K has additional information regarding the October 2007 Visa restructuring, our involvement with judgment and loss sharing agreements with Visa and certain other banks, and the status of pending interchange litigation. See also Note 23 Legal Proceedings in our 2013 Form 10-K for information on interchange litigation.

In September 2014, Visa funded $450 million into its litigation escrow account and reduced the conversion rate of Visa B to A shares. We continue to have an obligation to indemnify Visa for judgments and settlements for the remaining specified litigation.

Recourse and Repurchase Obligations

As discussed in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities, PNC has sold commercial mortgage, residential mortgage and home equity loans/ lines of credit directly or indirectly through securitization and loan sale transactions in which we have continuing involvement. One form of continuing involvement includes certain recourse and loan repurchase obligations associated with the transferred assets.

Commercial Mortgage Loan Recourse Obligations

We originate and service certain multi-family commercial mortgage loans which are sold to FNMA under FNMA s Delegated Underwriting and Servicing (DUS) program. We participated in a similar program with the FHLMC.

Under these programs, we generally assume up to a one-third pari passu risk of loss on unpaid principal balances through a loss share arrangement. At September 30, 2014 and December 31, 2013, the unpaid principal balance outstanding of loans sold as a participant in these programs was $11.8 billion and $11.7 billion, respectively. The potential maximum exposure under the loss share arrangements was $3.6 billion at both September 30, 2014 and December 31, 2013.

We maintain a reserve for estimated losses based upon our exposure. The reserve for losses under these programs totaled $36 million as of September 30, 2014 and $33 million as of December 31, 2013, respectively, and is included in Other liabilities on our Consolidated Balance Sheet. The comparable reserve as of September 30, 2013 was $38 million.

If payment is required under these programs, we would not have a contractual interest in the collateral underlying the mortgage loans on which losses occurred, although the value of the collateral is taken into account in determining our share of such losses. Our exposure and activity associated with these recourse obligations are reported in the Corporate & Institutional Banking segment.

Table 123: Analysis of Commercial Mortgage Recourse Obligations

In millions	2014	2013
January 1	$ 33	$ 43
Reserve adjustments, net	3	(5)
September 30	$ 36	$ 38

Residential Mortgage Loan and Home Equity Loan/ Line of Credit Repurchase Obligations

While residential mortgage loans are sold on a non-recourse basis, we assume certain loan repurchase obligations associated with mortgage loans we have sold to investors. These loan repurchase obligations primarily relate to situations where PNC is alleged to have breached certain origination covenants and representations and warranties made to purchasers of the loans in the respective purchase and sale agreements.

In the fourth quarter of 2013, PNC reached agreements with both FNMA and FHLMC to resolve their repurchase claims with respect to loans sold between 2000 and 2008. PNC paid a total of $191 million related to these settlements.

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

Indemnification and repurchase liabilities are initially recognized when loans are sold to investors and are subsequently evaluated by management. Initial recognition and subsequent adjustments to the indemnification and repurchase liability for the sold residential mortgage portfolio

are recognized in Residential mortgage revenue on the Consolidated Income Statement. Since PNC is no longer engaged in the brokered home equity lending business, only subsequent adjustments are recognized to the home equity loans/lines indemnification and repurchase liability. These adjustments are recognized in Other noninterest income on the Consolidated Income Statement.

Management s subsequent evaluation of these indemnification and repurchase liabilities is based upon trends in indemnification and repurchase requests, actual loss experience, risks in the underlying serviced loan portfolios, and current economic conditions. As part of its evaluation, management considers estimated loss projections over the life of the subject loan portfolio. At September 30, 2014 and December 31, 2013, the total indemnification and repurchase liability for estimated losses on indemnification and repurchase claims totaled $132 million and $153 million, respectively, and was included in Other liabilities on the Consolidated Balance Sheet. An analysis of the changes in this liability during 2014 and 2013 follows:

Table 124: Analysis of Indemnification and Repurchase Liability for Asserted Claims and Unasserted Claims

	2014			2013		
In millions	Residential Mortgages (a)	Home Equity Loans/ Lines (b)	Total	Residential Mortgages (a)	Home Equity Loans/ Lines (b)(c)	Total
January 1	$ 131	$ 22	$ 153	$ 614	$ 58	$ 672
Reserve adjustments, net	(4)	14	10	71	(2)	69
Losses loan repurchases and private investor settlements	(19)	(12)	(31)	(214)	(33)	(247)
September 30	$ 108	$ 24	$ 132	$ 471	$ 23	$ 494

(a) Repurchase obligation associated with sold loan portfolios of $86.1 billion and $97.9 billion at September 30, 2014 and September 30, 2013, respectively.

(b) Repurchase obligation associated with sold loan portfolios of $2.6 billion and $2.9 billion at September 30, 2014 and September 30, 2013, respectively. PNC is no longer engaged in the brokered home equity lending business, which was acquired with National City.

(c) In prior periods, the unpaid principal balance of loans serviced for home equity loans/lines of credit in (b) above reflected the outstanding balance at the time of charge-off. During the second quarter of 2014, we corrected the outstanding principal balance to reflect the unpaid principal balance as of the reporting date. Accordingly, the prior period amount as of September 30, 2013 was reduced by $.8 billion.

Management believes the indemnification and repurchase liabilities appropriately reflect the estimated probable losses on indemnification and repurchase claims for all loans sold and outstanding as of September 30, 2014. In making these estimates, we consider the losses that we expect to incur over the life of the sold loans. While management seeks to obtain all relevant information in estimating the indemnification and repurchase liability, the estimation process is inherently uncertain and imprecise and, accordingly, it is reasonably possible that future indemnification and repurchase losses could be more or less than our established liability. Factors that could affect our estimate include the volume of valid claims driven by investor strategies and behavior, our ability to successfully negotiate claims with investors, housing prices and other economic conditions. At September 30, 2014, we estimate that it is reasonably possible that we could incur additional losses in excess of our accrued indemnification and repurchase liability of up to approximately $91 million for our portfolio of residential mortgage loans sold. At September 30, 2014, the reasonably possible loss above our accrual for our portfolio of home equity loans/lines of credit sold was not material. This estimate of potential additional losses in excess of our liability is based on assumed higher repurchase claims and lower claim rescissions than our current assumptions.

Reinsurance Agreements

We have two wholly-owned captive insurance subsidiaries which provide reinsurance to third-party insurers related to insurance sold to or placed on behalf of our customers. These subsidiaries enter into various types of reinsurance agreements with third-party insurers where the subsidiary assumes the risk of loss through either an excess of loss or quota share agreement up to 100% reinsurance. In excess of loss agreements, these subsidiaries assume the risk of loss for an excess layer of coverage up to specified limits, once a defined first loss percentage is met. In quota share agreements, the subsidiaries and third-party insurers share the responsibility for payment of all claims.

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These subsidiaries provide reinsurance for accidental death & dismemberment, credit life, accident & health, lender placed hazard and borrower and lender paid mortgage insurance, of which all programs are in run-off. Aggregate maximum exposure up to the specified limits for all reinsurance contracts is as follows:

Table 125: Reinsurance Agreements Exposure (a)

In millions	September 30 2014	December 31 2013
Accidental Death & Dismemberment	$ 1,803	$ 1,902
Credit Life, Accident & Health	505	621
Lender Placed Hazard (b) (c)	2,181	2,679
Borrower and Lender Paid Mortgage Insurance	47	133
Maximum Exposure	$ 4,536	$ 5,335
Percentage of reinsurance agreements:		
Excess of Loss Mortgage Insurance	1%	2%
Quota Share	99%	98%
Maximum Exposure to Quota Share Agreements with 100% Reinsurance	$ 504	$ 620

(a) Reinsurance agreements exposure balances represent estimates based on availability of financial information from insurance carriers.
(b) Through the purchase of catastrophe reinsurance connected to the Lender Placed Hazard Exposure, should a catastrophic event occur, PNC will benefit from this reinsurance. No credit for the catastrophe reinsurance protection is applied to the aggregate exposure figure.
(c) Program has been placed into run-off for coverage issued or renewed on or after June 1, 2014 with policy terms one year or less.

A rollforward of the reinsurance reserves for probable losses for the first nine months 2014 and 2013 follows:

Table 126: Reinsurance Reserves Rollforward

In millions	2014	2013
January 1	$ 32	$ 61
Paid Losses	(17)	(30)
Net Provision	10	15
Changes to Agreements	(10)	
September 30	$ 15	$ 46

The reinsurance reserves are declining as the programs are in run-off. Existing reinsurance agreements with a single third-party insurer of Borrower Paid Mortgage Insurance were terminated resulting in release of reinsurance reserves. The Lender Placed Hazard program has been placed in run-off as of June 1, 2014, but there was no material impact to reinsurance reserves. There were no other changes to existing agreements nor any new relationships entered into.

There is a reasonable possibility that losses could be more than or less than the amount reserved due to ongoing uncertainty in various economic, social and other factors that could impact the frequency and severity of claims covered by these reinsurance agreements. At September 30, 2014, the reasonably possible loss above our accrual was not material.

Resale and Repurchase Agreements

We enter into repurchase and resale agreements where we transfer investment securities to/from a third party with the agreement to repurchase/resell those investment securities at a future date for a specified price. Repurchase and resale agreements are treated as collateralized financing transactions for accounting purposes and are generally carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest. Our policy is to take possession of securities purchased under agreements to resell. We monitor the market value of securities to be repurchased and resold and additional collateral may be obtained where considered appropriate to protect against credit exposure.

Repurchase and resale agreements are typically entered into with counterparties under industry standard master netting agreements which provide for the right to setoff amounts owed to one another with respect to multiple repurchase and resale agreements under such master netting agreement (referred to as netting arrangements) and liquidate the purchased or borrowed securities in the event of counterparty default. In order for an arrangement to be eligible for netting under GAAP, we must obtain the requisite assurance that the offsetting rights included in the master netting agreement would be legally enforceable in the event of bankruptcy, insolvency, or a similar proceeding of such third party. Enforceability is evidenced by obtaining a legal opinion that supports, with sufficient confidence, the enforceability of the master netting agreement in bankruptcy.

In accordance with the disclosure requirements of ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities, Table 127 shows the amounts owed under resale and repurchase agreements and the securities collateral associated with those agreements where a legal opinion supporting the enforceability of the offsetting rights has been obtained. We do not present resale and repurchase agreements entered into with the same counterparty under a legally enforceable master netting agreement on a net basis on our Consolidated Balance Sheet or within Table 127. The amounts reported in Table 127 exclude the fair value adjustment on the structured resale agreements of $8 million and $11 million at September 30, 2014 and December 31, 2013, respectively, that we have elected to account for at fair value. Refer to Note 8 Fair Value for additional information regarding the structured resale agreements at fair value.

For further discussion on ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities and the impact of other instruments entered into under master netting arrangements, see Note 1 Accounting Policies in our Notes To Consolidated Financial Statements under Item 8 of our 2013 Form 10-K. Refer to Note 12 Financial Derivatives for additional information related to offsetting of financial derivatives.

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Table 127: Resale and Repurchase Agreements Offsetting

In millions	Gross Resale Agreements	Amounts Offset on the Consolidated Balance Sheet	Net Resale Agreements (a) (b)	Securities Collateral Held Under Master Netting Agreements (c)	Net Amounts (b)
Resale Agreements					
September 30, 2014	$ 1,546		$ 1,546	$ 1,462	$ 84
December 31, 2013	1,542		1,542	1,453	89

In millions	Gross Repurchase Agreements	Amounts Offset on the Consolidated Balance Sheet	Net Repurchase Agreements (d) (e)	Securities Collateral Pledged Under Master Netting Agreements (c)	Net Amounts (e)
Repurchase Agreements					
September 30, 2014	$ 3,429		$ 3,429	$ 2,544	$ 885
December 31, 2013	4,183		4,183	3,166	1,017

(a) Represents the resale agreement amount included in Federal funds sold and resale agreements on our Consolidated Balance Sheet and the related accrued interest income in the amount of $1 million at both September 30, 2014 and December 31, 2013, respectively, which is included in Other Assets on the Consolidated Balance Sheet.

(b) These amounts include certain long term resale agreements of $84 million at September 30, 2014 and $89 million at December 31, 2013, respectively, which are fully collateralized but do not have the benefits of a netting opinion and, therefore, might be subject to a stay in insolvency proceedings and therefore are not eligible under ASC 210-20 for netting.

(c) In accordance with the requirements of ASU 2011-11, represents the fair value of securities collateral purchased or sold, up to the amount owed under the agreement, for agreements supported by a legally enforceable master netting agreement.

(d) Represents the repurchase agreement amount included in Federal funds purchased and repurchase agreements on our Consolidated Balance Sheet and the related accrued interest expense in the amount of less than $1 million at both September 30, 2014 and December 31, 2013, which is included in Other Liabilities on the Consolidated Balance Sheet.

(e) These amounts include overnight repurchase agreements of $885 million and $966 million at September 30, 2014 and December 31, 2013, respectively, entered into with municipalities, pension plans, and certain trusts and insurance companies as well as certain long term repurchase agreements of $50 million at December 31, 2013, which are fully collateralized but do not have the benefits of a netting opinion and, therefore, might be subject to a stay in insolvency proceedings and therefore are not eligible under ASC 210-20 for netting. There were no long term repurchase agreements as of September 30, 2014.

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NOTE 18 SEGMENT REPORTING

We have six reportable business segments:

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

Results of individual businesses are presented based on our internal management reporting practices. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of our individual businesses are not necessarily comparable with similar information for any other company. We periodically refine our internal methodologies as management reporting practices are enhanced. To the extent practicable, retrospective application of new methodologies is made to prior period reportable business segment results and disclosures to create comparability with the current period.

Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Additionally, we have aggregated the results for corporate support functions within Other for financial reporting purposes.

Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product maturities, duration and other factors. A portion of capital is intended to cover unexpected losses and is assigned to our business segments using our risk-based economic capital model, including consideration of the goodwill at those business segments, as well as the diversification of risk among the business segments, ultimately reflecting PNC s portfolio risk adjusted capital allocation.

We have allocated the allowances for loan and lease losses and for unfunded loan commitments and letters of credit based on the loan exposures within each business segment s portfolio. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions are periodically updated.

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

Total business segment financial results differ from total consolidated net income. The impact of these differences is reflected in the Other category in the business segment tables. Other includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as gains or losses related to BlackRock transactions, integration costs, asset and liability management activities including net securities gains or losses, other-than-temporary impairment of investment securities and certain trading activities, exited businesses, private equity investments, intercompany eliminations, most corporate overhead, tax adjustments that are not allocated to business segments, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments results exclude their portion of net income attributable to noncontrolling interests. Assets, revenue and earnings attributable to foreign activities were not material in the periods presented for comparative purposes.

Business Segment Products and Services

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

Corporate & Institutional Banking provides lending, treasury management, capital markets-related products and services to mid-sized and large corporations, government and not-for-profit entities. Lending products include secured and unsecured loans, letters of credit and equipment leases. Treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting, and global trade services. Capital markets-related products and services include foreign exchange, derivatives, securities, loan syndications, mergers and acquisitions advisory and equity capital markets advisory and related services to middle-market companies. We also provide commercial loan servicing, and real estate advisory and technology solutions, for the commercial real estate finance industry. Products and services are generally provided within our primary geographic markets, with certain products and services offered nationally and internationally.

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

Residential Mortgage Banking directly originates first lien residential mortgage loans on a nationwide basis with a significant presence within the retail banking footprint. Mortgage loans represent loans collateralized by one-to-four-

family residential real estate. These loans are typically underwritten to government agency and/or third-party standards, and sold, servicing retained, to secondary mortgage conduits of FNMA, FHLMC, Federal Home Loan Banks and third-party investors, or are securitized and issued under the GNMA program. The mortgage servicing operation performs all functions related to servicing mortgage loans, primarily those in first lien position, for various investors and for loans owned by PNC.

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

We hold an equity investment in BlackRock, which is a key component of our diversified revenue strategy. BlackRock is a publicly traded company, and additional information regarding its business is available in its filings with the Securities and Exchange Commission (SEC). At September 30, 2014, our economic interest in BlackRock was 22%.

PNC received cash dividends from BlackRock of $214 million and $187 million during the first nine months of 2014 and 2013, respectively.

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

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Table 128: Results Of Businesses

Three months ended September 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Non-Strategic Assets Portfolio	Other (a)	Consolidated (a)
2014								
Income Statement								
Net interest income	$ 983	$ 890	$ 72	$ 38		$ 146	$ (25)	$ 2,104
Noninterest income	536	464	205	147	$ 196	6	183	1,737
Total revenue	1,519	1,354	277	185	196	152	158	3,841
Provision for credit losses (benefit)	74	(4)	(4)	(1)		(8)	(2)	55
Depreciation and amortization	43	33	10	3			105	194
Other noninterest expense	1,132	495	199	165		30	142	2,163
Income (loss) before income taxes and noncontrolling interests	270	830	72	18	196	130	(87)	1,429
Income taxes (benefit)	97	281	26	6	50	48	(117)	391
Net income	$ 173	$ 549	$ 46	$ 12	$ 146	$ 82	$ 30	$ 1,038
Inter-segment revenue	$ 2	$ 13	$ 3	$ 13	$ 4	$ (7)	$ (28)	
Average Assets (b)	$ 74,682	$ 123,671	$ 7,775	$ 7,418	$ 6,562	$ 8,231	$ 101,106	$ 329,445
2013								
Income Statement								
Net interest income	$ 1,005	$ 914	$ 74	$ 46		$ 161	$ 34	$ 2,234
Noninterest income	557	411	188	208	$ 155	20	147	1,686
Total revenue	1,562	1,325	262	254	155	181	181	3,920
Provision for credit losses (benefit)	152	30	(4)			(43)	2	137
Depreciation and amortization	47	33	11	2			86	179
Other noninterest expense	1,104	462	181	208		33	227	2,215
Income (loss) before income taxes and noncontrolling interests	259	800	74	44	155	191	(134)	1,389
Income taxes (benefit)	94	258	27	16	37	70	(141)	361
Net income	$ 165	$ 542	$ 47	$ 28	$ 118	$ 121	$ 7	$ 1,028
Inter-segment revenue		$ 2	$ 3	$ 2	$ 4	$ (2)	$ (9)	
Average Assets (b)	$ 75,215	$ 112,567	$ 7,445	$ 9,317	$ 6,102	$ 9,701	$ 82,853	$ 303,200

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Nine months ended September 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Non-Strategic Assets Portfolio	Other (a)	Consolidated (a)
2014								
Income Statement								
Net interest income	$ 2,936	$ 2,681	$ 215	$ 115		$ 425	$ 56	$ 6,428
Noninterest income	1,591	1,255	611	503	$ 528	22	490	5,000
Total revenue	4,527	3,936	826	618	528	447	546	11,428
Provision for credit losses (benefit)	223	86	2	(1)		(99)	10	221
Depreciation and amortization	131	96	31	9			293	560
Other noninterest expense	3,299	1,424	579	541		86	460	6,389
Income (loss) before income taxes and noncontrolling interests	874	2,330	214	69	528	460	(217)	4,258
Income taxes (benefit)	318	788	78	25	129	169	(399)	1,108
Net income	$ 556	$ 1,542	$ 136	$ 44	$ 399	$ 291	$ 182	$ 3,150
Inter-segment revenue	$ 4	$ 18	$ 9	$ 25	$ 12	$ (15)	$ (53)	
Average Assets (b)	$ 75,264	$ 121,232	$ 7,687	$ 7,889	$ 6,562	$ 8,563	$ 96,681	$ 323,878
2013								
Income Statement								
Net interest income	$ 3,066	$ 2,752	$ 217	$ 145		$ 528	$ 173	$ 6,881
Noninterest income	1,533	1,273	554	628	$ 442	47	581	5,058
Total revenue	4,599	4,025	771	773	442	575	754	11,939
Provision for credit losses (benefit)	462	4	2	24		38		530
Depreciation and amortization	139	97	32	8			255	531
Other noninterest expense	3,299	1,377	538	594		126	702	6,636
Income (loss) before income taxes and noncontrolling interests	699	2,547	199	147	442	411	(203)	4,242
Income taxes (benefit)	256	852	73	54	104	151	(386)	1,104
Net income	$ 443	$ 1,695	$ 126	$ 93	$ 338	$ 260	$ 183	$ 3,138
Inter-segment revenue	$ 2	$ 13	$ 9	$ 5	$ 12	$ (7)	$ (34)	
Average Assets (b)	$ 74,620	$ 112,152	$ 7,289	$ 10,170	$ 6,102	$ 10,238	$ 82,261	$ 302,832

(a) Amounts for 2013 periods have been updated to reflect first quarter 2014 adoption of ASU 2014-01 related to investments in low income housing tax credits.
(b) Period-end balances for BlackRock.

NOTE 19 SUBSEQUENT EVENTS

On October 16, 2014, the parent company established a $5.0 billion commercial paper program to provide additional liquidity. Following the establishment of this program, PNC Funding Corp terminated its $3.0 billion commercial paper program.

On October 30, 2014, PNC Bank, N.A., issued $500 million of senior notes with a maturity date of October 30, 2024. Interest is payable semi-annually, at a fixed rate of 3.30%, on April 30 and October 30 of each year, beginning on April 30, 2015.

On October 30, 2014, PNC Bank, N.A., issued an additional $750 million of senior notes with a maturity date of October 18, 2019. Interest is payable semi-annually, at a fixed rate of 2.40%, on April 18 and October 18 of each year, beginning on April 18, 2015. These notes form part of the same series as, and are fungible with, the outstanding 2.40% senior notes issued on September 18, 2014. Following the issuance of these additional notes, the aggregate principal amount of such series was $1.25 billion.

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STATISTICAL INFORMATION (UNAUDITED)

The PNC Financial Services Group, Inc.

Average Consolidated Balance Sheet And Net Interest Analysis

Taxable-equivalent basis Dollars in millions	Nine months ended September 30 2014 Average Balances	Interest Income/ Expense	Average Yields/ Rates	2013 Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency (a)	$ 19,344	$ 382	2.63%	$ 23,265	$ 423	2.42%
Non-agency	5,199	192	4.92	5,925	246	5.54
Commercial mortgage-backed (a)	5,339	143	3.56	5,108	169	4.40
Asset-backed	5,399	78	1.92	5,872	82	1.86
U.S. Treasury and government agencies	4,734	41	1.16	2,265	28	1.64
State and municipal	2,220	73	4.40	2,242	72	4.30
Other debt	2,096	38	2.39	2,669	49	2.45
Corporate stocks and other	392		.10	337		.12
Total securities available for sale	44,723	947	2.82	47,683	1,069	2.99
Securities held to maturity						
Residential mortgage-backed	5,903	155	3.49	3,923	104	3.54
Commercial mortgage-backed	2,584	76	3.93	3,513	117	4.46
Asset-backed	956	11	1.60	957	12	1.70
U.S. Treasury and government agencies	242	7	3.80	233	7	3.79
State and municipal	1,618	67	5.50	646	27	5.55
Other	331	7	2.91	349	8	2.87
Total securities held to maturity	11,634	323	3.70	9,621	275	3.81
Total investment securities	56,357	1,270	3.00	57,304	1,344	3.13
Loans						
Commercial	91,321	2,286	3.30	85,326	2,448	3.78
Commercial real estate	22,468	689	4.04	19,092	701	4.84
Equipment lease financing	7,548	202	3.58	7,296	223	4.07
Consumer	62,636	1,965	4.19	61,761	2,060	4.46
Residential real estate	14,586	546	5.00	14,944	577	5.14
Total loans	198,559	5,688	3.80	188,419	6,009	4.23
Interest-earning deposits with banks	16,341	29	.24	3,041	6	.24
Loans held for sale	2,095	73	4.65	3,140	126	5.37
Federal funds sold and resale agreements	1,336	4	.39	992	6	.77
Other	5,045	170	4.49	4,433	160	4.86
Total interest-earning assets/interest income	279,733	7,234	3.43	257,329	7,651	3.95
Noninterest-earning assets:						
Allowance for loan and lease losses	(3,515)			(3,839)		
Cash and due from banks	3,867			3,969		
Other	43,793			45,373		
Total assets	$ 323,878			$ 302,832		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 74,777	100	.18	$ 69,567	95	.18
Demand	43,023	16	.05	39,805	14	.05
Savings	11,848	9	.10	10,935	8	.10
Retail certificates of deposit	19,951	111	.74	22,657	139	.82
Time deposits in foreign offices and other time	2,158	3	.18	2,077	7	.43
Total interest-bearing deposits	151,757	239	.21	145,041	263	.24

Borrowed funds						
Federal funds purchased and repurchase agreements	3,634	2	.09	3,804	4	.15
Federal Home Loan Bank borrowings	14,215	53	.49	7,697	31	.54
Bank notes and senior debt	13,682	149	1.44	10,873	144	1.74
Subordinated debt	8,475	161	2.53	7,196	153	2.84
Commercial paper	4,903	11	.29	7,443	13	.23
Other	2,711	51	2.48	1,981	39	2.59
Total borrowed funds	47,620	427	1.19	38,994	384	1.31
Total interest-bearing liabilities/interest expense	199,377	666	.44	184,035	647	.47
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	68,976			65,485		
Allowance for unfunded loan commitments and letters of credit	234			243		
Accrued expenses and other liabilities	10,155			11,018		
Equity	45,136			42,051		
Total liabilities and equity	$ 323,878			$ 302,832		
Interest rate spread			2.99			3.48
Impact of noninterest-bearing sources			.13			.14
Net interest income/margin		$ 6,568	3.12%		$ 7,004	3.62%

Nonaccrual loans are included in loans, net of unearned income. The impact of financial derivatives used in interest rate risk management is included in the interest income/expense and average yields/rates of the related assets and liabilities. Basis adjustments related to hedged items are included in noninterest-earning assets and noninterest-bearing liabilities. Average balances of securities are based on amortized historical cost (excluding adjustments to fair value, which are included in other assets). Average balances for certain loans and borrowed funds accounted for at fair value, with changes in fair value recorded in trading noninterest income, are included in noninterest-earning assets and noninterest-bearing liabilities.

(a) These lines items were corrected for all periods presented due to a misclassification of Government National Mortgage Association (GNMA) securities collateralized by project loans, which were previously reported as residential mortgage-backed agency securities and have been reclassified to commercial mortgage-backed securities.

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Average Consolidated Balance Sheet And Net Interest Analysis (Continued)

Third Quarter 2014			Second Quarter 2014			Third Quarter 2013		
Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
$ 18,134	$ 120	2.64%	$ 19,207	$ 125	2.62%	$ 22,605	$ 131	2.33%
5,021	58	4.64	5,204	68	5.19	5,862	83	5.70
5,147	47	3.61	5,295	48	3.59	5,418	51	3.65
5,207	26	2.01	5,400	27	1.96	5,962	28	1.87
5,142	13	1.01	4,883	15	1.20	2,013	10	1.90
1,913	19	3.98	2,104	22	4.27	2,354	20	4.24
1,763	11	2.41	2,028	12	2.35	2,630	15	2.38
404		.10	362		.11	339		.12
42,731	294	2.75	44,483	317	2.84	47,183	338	2.91
5,778	49	3.35	5,977	53	3.55	3,794	37	3.92
2,409	24	3.99	2,560	24	3.76	3,276	35	4.29
874	3	1.75	990	4	1.54	1,064	4	1.59
245	2	3.81	242	3	3.80	236	3	3.81
2,058	29	5.50	1,732	23	5.47	658	13	5.55
325	2	2.84	331	2	2.87	346	3	2.90
11,689	109	3.73	11,832	109	3.69	9,374	95	3.86
54,420	403	2.96	56,315	426	3.02	56,557	433	3.06
92,547	751	3.17	91,866	751	3.24	86,456	800	3.62
22,961	229	3.90	22,775	232	4.04	19,558	232	4.64
7,610	66	3.48	7,564	68	3.61	7,296	68	3.75
62,351	654	4.16	62,472	649	4.16	62,277	677	4.31
14,359	180	5.03	14,556	177	4.86	14,918	187	5.00
199,828	1,880	3.71	199,233	1,877	3.75	190,505	1,964	4.06
22,108	12	.23	14,650	10	.27	4,626	3	.22
2,272	26	4.48	2,060	24	4.79	3,071	41	5.34
1,409	2	.38	1,184	1	.49	664	2	1.10
4,914	52	4.24	4,927	65	5.26	4,183	48	4.54
284,951	2,375	3.30	278,369	2,403	3.44	259,606	2,491	3.79
(3,445)			(3,512)			(3,761)		
3,934			3,776			3,984		
44,005			43,887			43,371		
$ 329,445			$ 322,520			$ 303,200		
$ 76,014	35	.18	$ 74,261	33	.18	$ 70,557	32	.18
43,112	6	.05	43,316	5	.05	39,866	5	.05
12,152	3	.12	11,976	4	.10	11,007	3	.10
19,317	36	.73	20,012	37	.74	21,859	43	.79
2,235	1	.18	2,168	1	.17	1,804	1	.22
152,830	81	.21	151,733	80	.21	145,093	84	.23
3,319		.08	3,343	1	.07	2,967	1	.15
15,328	19	.48	14,193	17	.50	8,208	10	.48

14,221	48	1.33	13,490	51	1.51	11,256	49	1.71
8,804	53	2.40	8,570	57	2.65	7,334	53	2.89
4,863	4	.30	4,917	4	.29	7,109	4	.22
2,801	19	2.62	2,591	17	2.60	1,792	13	2.91
49,336	143	1.14	47,104	147	1.24	38,666	130	1.33
202,166	224	.44	198,837	227	.45	183,759	214	.46
70,993			68,219			66,834		
232			228			242		
10,307			10,035			10,327		
45,747			45,201			42,038		
$ 329,445			$ 322,520			$ 303,200		
		2.86			2.99			3.33
		.12			.13			.14
	$ 2,151	2.98%		$ 2,176	3.12%		$ 2,277	3.47%

Loan fees for the nine months ended September 30, 2014 and September 30, 2013 were $125 million and $167 million, respectively. Loan fees for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013 were $33 million, $33 million and $57 million, respectively.

Interest income includes the effects of taxable-equivalent adjustments using a statutory federal income tax rate of 35% to increase tax-exempt interest income to a taxable-equivalent basis. The taxable-equivalent adjustments to interest income for the nine months ended September 30, 2014 and September 30, 2013 were $140 million and $123 million, respectively. The taxable-equivalent adjustments to interest income for the three months ended September 30, 2014, June 30, 2014 and September 30, 2013 were $47 million, $47 million and $43 million, respectively.

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

	Pro forma Fully Phased-In Basel III (b)	
Dollars in millions	December 31 2013	September 30 2013
Common stock, related surplus and retained earnings, net of treasury stock	$ 38,031	$ 37,143
Less regulatory capital adjustments:		
Goodwill and disallowed intangibles, net of deferred tax liabilities	(9,321)	(9,350)
Basel III total threshold deductions	(1,386)	(2,011)
Accumulated other comprehensive income (c)	196	(231)
All other adjustments (d)	(64)	(302)
Estimated Basel III Common equity Tier 1 capital	$ 27,456	$ 25,249
Estimated Basel III standardized approach risk-weighted assets (e)	$ 291,977	N/A
Estimated Basel III advanced approaches risk-weighted assets (f)	$ 290,080	$ 289,063
Estimated Basel III Common equity Tier 1 capital ratio	9.4%	8.7%
Risk-weighted assets utilized	Standardized	Advanced

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

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

Dollars in millions	December 31 2013	September 30 2013
Basel I Tier 1 common capital	$ 28,484	$ 27,540
Basel I risk-weighted assets	272,169	266,698
Basel I Tier 1 common capital ratio	10.5%	10.3%

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

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

Details of our repurchases of PNC common stock during the third quarter of 2014 are included in the following table:

2014 period In thousands, except per share data	Total shares purchased (a)	Average price paid per share	Total shares purchased as part of publicly announced programs (b)	Maximum number of shares that may yet be purchased under the programs (b)
July 1 31	1,077	$ 85.27	1,063	17,322
August 1 31	1,334	$ 82.90	1,330	15,992
September 1 30	1,846	$ 86.48	1,841	14,151
Total	4,257	$ 85.05		

(a) Includes PNC common stock purchased in connection with our various employee benefit plans generally related to forfeitures of unvested restricted stock awards and shares used to cover employee payroll tax withholding requirements. See Note 15 Employee Benefit Plans and Note 16 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of our 2013 Form 10-K for additional information regarding our employee benefit and equity compensation plans that use PNC common stock.

(b) On October 4, 2007, our Board of Directors authorized the repurchase of up to 25 million shares of PNC common stock. The repurchases are made in open market or privately negotiated transactions and the repurchase program will remain in effect until fully utilized or until modified, superseded or terminated. The timing and exact amount of common stock repurchases will depend on a number of factors including, among others, market and general economic conditions, economic capital and regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, and contractual and regulatory limitations, including the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve and our primary bank regulators as part of the CCAR process.

Our 2014 capital plan, submitted as part of the CCAR process and approved by the Federal Reserve, included share repurchase programs of up to $1.5 billion for the four quarter period beginning with the second quarter of 2014. This amount does not include share repurchases in connection with various employee benefit plans referenced in note (a). In the third quarter of 2014, in accordance with the 2014 capital plan, we repurchased 4.234 million shares of common stock on the open market, with an average price of $85.12 per share and an aggregate repurchase price of $360.4 million.

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ITEM 6. EXHIBITS

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

EXHIBIT INDEX

10.51	Additional 2014 Forms of Employee Restricted Share Unit Agreements
10.52	The Corporation s Directors Deferred Compensation Plan, as amended and restated effective January 1, 2015
10.53	The Corporation s Outside Directors Deferred Stock Unit Plan, as amended and restated effective January 1, 2015
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101	Interactive Data File (XBRL)

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

CORPORATE INFORMATION

The PNC Financial Services Group, Inc.

Corporate Headquarters

The PNC Financial Services Group, Inc.

One PNC Plaza, 249 Fifth Avenue

Pittsburgh, Pennsylvania 15222-2707

412-762-2000

Stock Listing

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

Internet Information

The PNC Financial Services Group, Inc. s financial reports and information about its products and services are available on the internet at www.pnc.com. We provide information for investors on our corporate website under About PNC Investor Relations, such as Investor Events, Quarterly Earnings, SEC Filings, Financial Information, Financial Press Releases, Regulatory Disclosures, and Message from the Chairman. Under Investor Relations, we will from time to time post information that we believe may be important or useful to investors. We use our Twitter account, @pncnews, as an additional way of disseminating public information from time to time to investors. We generally post the following on our corporate website shortly before or promptly following its first use or release: financially-related press releases (including earnings releases), various SEC filings, presentation materials associated with earnings and other investor conference calls or events, and access to live and taped audio from earnings and other investor conference calls or events. In some cases, we may post the presentation materials for other investor conference calls or events several days prior to the call or event. For earnings and other conference calls or events, we generally include in our posted materials a cautionary statement regarding forward-looking and adjusted information and we provide GAAP reconciliations when we refer to adjusted information and results. Where applicable, we provide GAAP reconciliations for such additional information in materials for that event or in materials for other prior investor presentations or in our annual, quarterly or current reports. When warranted, we will also use our website to expedite public access to time-critical information regarding PNC in advance of distribution of a press release or a filing with the SEC disclosing the same information.

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

You can also find the SEC reports and corporate governance information described in the sections below in the Investor Relations section of our website.

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

Financial Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements, and other information with the SEC. Our SEC File Number is 001-09718. You can obtain copies of these and other filings, including exhibits, electronically at the SEC s internet website at www.sec.gov or on PNC s corporate internet website at www.pnc.com/secfilings. Shareholders and bond holders may also obtain copies of these filings without charge by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus for copies without exhibits, and by contacting Shareholder Relations at 800-843-2206 or via email at investor.relations@pnc.com for copies of exhibits, including financial statement and schedule exhibits where applicable. The interactive data file (XBRL) exhibit is only available electronically.

Corporate Governance at PNC

Information about our Board of Directors and its committees and corporate governance at PNC is available on PNC s corporate website at www.pnc.com/corporategovernance. Shareholders who would like to request printed copies of PNC s Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board s Audit, Nominating and Governance, Personnel and Compensation, or Risk Committees (all of which are posted on the PNC

corporate website) may do so by sending their requests to PNC s Corporate Secretary at corporate headquarters at the above address. Copies will be provided without charge to shareholders.

Inquiries

For financial services call 888-PNC-2265.

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

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

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

Common Stock Prices/Dividends Declared

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

	High	Low	Close	Cash Dividends Declared (a)
2014 Quarter				
First	$ 87.80	$ 76.06	$ 87.00	$ .44
Second	89.85	79.80	89.05	.48
Third	90.00	80.43	85.58	.48
Total				$ 1.40
2013 Quarter				
First	$ 66.93	$ 58.96	$ 66.50	$ .40
Second	74.19	63.69	72.92	.44
Third	77.93	71.48	72.45	.44
Fourth	78.36	70.63	77.58	.44
Total				$ 1.72

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

Dividend Policy

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

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condition and operating results, and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and non-bank subsidiaries to pay dividends to the parent company and regulatory capital limitations, including the results of the supervisory assessment of capital adequacy undertaken by the Federal Reserve and our primary bank regulators as part of the Comprehensive Capital Analysis and Review (CCAR) process).

Dividend Reinvestment And Stock Purchase Plan

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

Registrar And Stock Transfer Agent

Computershare Trust Company, N.A.

250 Royall Street

Canton, MA 02021

800-982-7652

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on November 5, 2014 on its behalf by the undersigned thereunto duly authorized.

The PNC Financial Services Group, Inc.

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