LSB INDUSTRIES INC
Form 4
October 09, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
JAYHAWK INSTITUTIONAL PARTNERS LP

(Last) (First) (Middle)

5410 WEST 61ST PLACE, SUITE 100

(Street)

MISSION, KS 66205

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LSB INDUSTRIES INC [LXU]

3. Date of Earliest Transaction (Month/Day/Year)
10/04/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/04/2007		S		800	D	$ 22.04	1,458,056	D	
Common Stock	10/04/2007		S		8,145	D	$ 21.82	1,449,911	D	
Common Stock	10/05/2007		S		8,800	D	$ 22.22	1,441,111	D	
Common Stock	10/05/2007		S		4,800	D	$ 22.09	1,436,311	D	
Common Stock	10/08/2007		S		76,000	D	$ 23.15	1,360,311	D	

Common Stock	10/08/2007		S		55,900	D	$ 23.1	1,304,411	D
Common Stock	10/09/2007		S		40,700	D	$ 23.72	1,263,711	D
Common Stock	10/09/2007		S		27,800	D	$ 23.71	1,235,911	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
JAYHAWK INSTITUTIONAL PARTNERS LP 5410 WEST 61ST PLACE SUITE 100 MISSION, KS 66205		X		

Signatures

/s/ Kent C. McCarthy, Manager of Jayhawk Capital Management, L.L.C., its General Partner	10/09/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TYLE="font-family:Times New Roman" SIZE="1">

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

Table of Contents

(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).

Table of Contents

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

Table of Contents

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)

Table of Contents

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%

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

(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.

Table of Contents

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)

Table of Contents

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)

Table of Contents

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	Total realized / unrealized gains or losses for the period (a): 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)

Table of Contents

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	Total realized / unrealized gains or losses for the period (a): 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.

Table of Contents

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.

Table of Contents

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)	1.0% - 28.9% (6.8%)	(a)
			Constant default rate (CDR)	0% - 17.5% (5.9%)	(a)
			Loss severity	6.1% - 96.4% (53.1%)	(a)
			Spread over the benchmark curve (b)	213bps weighted average	(a)
Asset-backed securities	592	Priced by a third-party vendor using a discounted cash flow pricing model (a)	Constant prepayment rate (CPR)	1.0% - 15.7% (6.1%)	(a)
			Constant default rate (CDR)	1.7% - 13.9% (7.8%)	(a)
			Loss severity	14.6% - 100% (73.0%)	(a)
			Spread over the benchmark curve (b)	304bps weighted average	(a)
State and municipal securities	133	Discounted cash flow	Spread over the benchmark curve (b)	50bps - 160bps (62bps)	
	213	Consensus pricing (c)	Credit and Liquidity discount	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)	3.6% - 42.0% (9.1%)	
			Spread over the benchmark curve (b)	889bps - 1,889bps (1,037bps)	
Commercial mortgage servicing rights	532	Discounted cash flow	Constant prepayment rate (CPR)	8.5% - 14.7% (9.2%)	
			Discount rate	4.2% - 8.8% (6.7%)	
Commercial mortgage loans held for sale	867	Discounted cash flow	Spread over the benchmark curve (b)	36bps - 17,420bps (1,591bps)	
			Estimated servicing cash flows	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	2.0% - 100% (91.0%)	
			Loss severity	0% - 100% (39.4%)	
			Discount rate	5.0% - 7.0% (6.4%)	
	147	Discounted cash flow	Loss severity	8.0% weighted average	
			Discount rate	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			

Table of Contents

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.

Table of Contents

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	December 31 2013	Gains (Losses) Three months ended September 30 2014	September 30 2013	Gains (Losses) Nine months ended September 30 2014	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.

Table of Contents

(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.

Table of Contents

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.

Table of Contents

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

In millions	Carrying Amount	Fair Value 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

(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	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 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	September 30, 2014 Fair Value	September 30, 2014 Weighted-Average Remaining Maturity In Years	December 31, 2013 Notional Amount	December 31, 2013 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

	Three months ended September 30		Nine months ended September 30	
In millions, except per share data	2014	2013	2014	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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

In millions	2014 Residential Mortgages (a)	2014 Home Equity Loans/ Lines (b)	2014 Total	2013 Residential Mortgages (a)	2013 Home Equity Loans/ Lines (b)(c)	2013 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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.

Table of Contents

STATISTICAL INFORMATION (UNAUDITED)

The PNC Financial Services Group, Inc.

Average Consolidated Balance Sheet And Net Interest Analysis

	Nine months ended September 30					
	2014			2013		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency (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.

Table of Contents

Average Consolidated Balance Sheet And Net Interest Analysis (Continued)

Third Quarter 2014			Second Quarter 2014			Third Quarter 2013		
	Interest	Average		Interest	Average		Interest	Average
Average	Income/	Yields/	Average	Income/	Yields/	Average	Income/	Yields/
Balances	Expense	Rates	Balances	Expense	Rates	Balances	Expense	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.

Table of Contents

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

Dollars in millions	Pro forma Fully Phased-In Basel III (b) 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.

Table of Contents

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.

Table of Contents

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

Table of Contents

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

Table of Contents

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)