PNC FINANCIAL SERVICES GROUP, INC.
Form 10-Q
August 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from to

Commission file number 001-09718

The PNC Financial Services Group, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1435979**

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

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

(Address of principal executive offices, including zip code)

(412) 762-2000

(Registrant s telephone number, including area code)

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

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

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

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

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

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

As of July 24, 2015, there were 513,599,824 shares of the registrant s common stock ($5 par value) outstanding.

THE PNC FINANCIAL SERVICES GROUP, INC.

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FINANCIAL REVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Report and with Items 6, 7, 8 and 9A of our 2014 Annual Report on Form 10-K (2014 Form 10-K). We have reclassified certain prior period amounts to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. For information regarding certain business, regulatory and legal risks, see the following sections as they appear in this Report and in our 2014 Form 10-K and our First Quarter 2015 Form 10-Q: the Risk Management and Recourse And Repurchase Obligations sections of the Financial Review portion of the respective report; Item 1A Risk Factors included in our 2014 Form 10-K; and the Legal Proceedings and Commitments and Guarantees Notes of the Notes To Consolidated Financial Statements included in the respective report. Also, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and the Critical Accounting Estimates And Judgments section in this Financial Review and in our 2014 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 17 Segment Reporting in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a GAAP basis.

Table 1: Consolidated Financial Highlights

THE PNC FINANCIAL SERVICES GROUP, INC. (PNC)

Dollars in millions, except per share data	Three months ended June 30		Six months ended June 30	
Unaudited	2015	2014	2015	2014
Financial Results (a)				
Revenue				
Net interest income	$ 2,052	$ 2,129	$ 4,124	$ 4,324
Noninterest income	1,814	1,681	3,473	3,263
Total revenue	3,866	3,810	7,597	7,587
Noninterest expense	2,366	2,328	4,715	4,592
Pretax, pre-provision earnings (b)	1,500	1,482	2,882	2,995
Provision for credit losses	46	72	100	166
Income before income taxes and noncontrolling interests	$ 1,454	$ 1,410	$ 2,782	$ 2,829
Net income	$ 1,044	$ 1,052	$ 2,048	$ 2,112
Less:				
Net income (loss) attributable to noncontrolling interests	4	3	5	1
Preferred stock dividends and discount accretion and redemptions	48	48	118	118
Net income attributable to common shareholders	$ 992	$ 1,001	$ 1,925	$ 1,993
Less:				
Dividends and undistributed earnings allocated to nonvested restricted shares		3	2	6
Impact of BlackRock earnings per share dilution	5	3	10	9
Net income attributable to diluted common shares	$ 987	$ 995	$ 1,913	$ 1,978
Diluted earnings per common share	$ 1.88	$ 1.85	$ 3.63	$ 3.67
Cash dividends declared per common share	$ .51	$ .48	$ .99	$ .92
Performance Ratios				
Net interest margin (c)	2.73%	3.12%	2.78%	3.19%
Noninterest income to total revenue	47	44	46	43
Efficiency	61	61	62	61
Return on:				
Average common shareholders equity	9.75	10.12	9.54	10.24
Average assets	1.19	1.31	1.18	1.33

See page 49 for a glossary of certain terms used in this Report.

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

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

(b)

We believe that pretax, pre-provision earnings, a non-GAAP measure, is useful as a tool to help evaluate the ability to provide for credit costs through operations.

(c) Calculated as annualized taxable-equivalent net interest income divided by average earning assets. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of net interest margins for all earning assets, we use net interest income on a taxable-equivalent basis in calculating net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under generally accepted accounting principles (GAAP) in the Consolidated Income Statement. The taxable-equivalent adjustments to net interest income for the three months ended June 30, 2015 and June 30, 2014 were $49 million and $47 million, respectively. The taxable-equivalent adjustments to net interest income for the six months ended June 30, 2015 and June 30, 2014 were $98 million and $93 million, respectively.

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

Unaudited	June 30 2015	December 31 2014	June 30 2014
Balance Sheet Data (dollars in millions, except per share data)			
Assets	$ 353,945	$ 345,072	$ 327,064
Loans	205,153	204,817	200,984
Allowance for loan and lease losses	3,272	3,331	3,453
Interest-earning deposits with banks (b)	33,969	31,779	16,876
Investment securities	61,362	55,823	56,602
Loans held for sale	2,357	2,262	2,228
Goodwill	9,103	9,103	9,074
Mortgage servicing rights	1,558	1,351	1,482
Equity investments (c)	10,531	10,728	10,583
Other assets	24,032	23,482	23,527
Noninterest-bearing deposits	77,369	73,479	71,001
Interest-bearing deposits	162,335	158,755	151,553
Total deposits	239,704	232,234	222,554
Transaction deposits	205,296	198,267	188,489
Borrowed funds	58,276	56,768	49,066
Total shareholders equity	44,515	44,551	44,205
Common shareholders equity	41,066	40,605	40,261
Accumulated other comprehensive income	379	503	881
Book value per common share	$ 79.64	$ 77.61	$ 75.62
Common shares outstanding (millions)	516	523	532
Loans to deposits	86%	88%	90%
Client Investment Assets (billions)			
Discretionary client assets under management	$ 134	$ 135	$ 131
Nondiscretionary client assets under administration	128	128	126
Total client assets under administration	262	263	257
Brokerage account client assets	44	43	43
Total	$ 306	$ 306	$ 300
Capital Ratios			
Transitional Basel III (d) (e)			
Common equity Tier 1	10.6%	10.9%	11.0%
Tier 1 risk-based	12.0	12.6	12.7
Total capital risk-based	14.9	15.8	16.0
Leverage	10.3	10.8	11.2
Pro forma Fully Phased-In Basel III (e)			
Common equity Tier 1	10.0%	10.0%	10.0%
Common shareholders equity to assets	11.6%	11.8%	12.3%
Asset Quality			
Nonperforming loans to total loans	1.10%	1.23%	1.39%
Nonperforming assets to total loans, OREO and foreclosed assets	1.25	1.40	1.57
Nonperforming assets to total assets	.73	.83	.97
Net charge-offs to average loans (for the three months ended) (annualized)	.13	.23	.29
Allowance for loan and lease losses to total loans	1.59	1.63	1.72
Allowance for loan and lease losses to nonperforming loans (f)	145%	133%	123%
Accruing loans past due 90 days or more (in millions)	$ 914	$ 1,105	$ 1,252

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

(b) Amounts include balances held with the Federal Reserve Bank of Cleveland (Federal Reserve Bank) of $33.6 billion, $31.4 billion, and $16.5 billion as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively.

(c) Amounts include our equity interest in BlackRock.

(d) Calculated using the regulatory capital methodology applicable to PNC during each period presented.

(e) See Basel III Capital discussion in the Capital portion of the Consolidated Balance Sheet Review section of this Financial Review and the capital discussion in the Banking Regulation and Supervision section of Item 1 Business in our 2014 Form 10-K. See also the Estimated Pro forma Fully Phased-In Basel III Common Equity Tier 1 Capital Ratio 2014 Periods table in the Statistical Information section of this Report for a reconciliation of the 2014 periods ratios.

(f) The allowance for loan and lease losses includes impairment reserves attributable to purchased impaired loans. Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.

EXECUTIVE SUMMARY

The PNC Financial Services Group, Inc. (PNC) is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania.

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

Key Strategic Goals

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

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

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

Our capital priorities are to support client growth and business investment, maintain appropriate capital in light of economic conditions and the Basel III framework and return excess capital to shareholders, in accordance with the capital plan included in our 2015 Comprehensive Capital Analysis and Review (CCAR) submission to the Board of Governors of the

Federal Reserve System (Federal Reserve). New regulatory short-term liquidity standards became effective for PNC and PNC Bank, National Association (PNC Bank) beginning January 1, 2015. For more detail, see the Balance Sheet, Liquidity and Capital Highlights portion of this Executive Summary, the Capital portion of the Consolidated Balance Sheet Review section and the Liquidity Risk Management portion of the Risk Management section of this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2014 Form 10-K.

Recent Market and Industry Developments

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

On June 17, 2015, the OCC terminated the 2011 consent order and 2013 amended consent order against PNC Bank entered into following a publicly-disclosed interagency horizontal review of residential mortgage servicing operations at 14 federally regulated mortgage servicers. For more information, see Note 15 Legal Proceedings of this Report and Note 21 Legal Proceedings in our 2014 Form 10-K.

On July 20, 2015, the Federal Reserve issued final rules to implement an additional risk-based common equity Tier 1 capital surcharge on U.S. bank holding companies (BHCs) identified as global systemically important banks (GSIBs) using a scoring methodology that is based on five

measures of global systemic importance (size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity). Based on that methodology, PNC is not subject to the surcharge. The release accompanying the final rules indicates that there is a wide gap between the scores of U.S. BHCs identified as GSIBs and the

significantly lower scores of other advanced approaches BHCs (such as PNC) that are not identified as GSIBs.

On July 21, 2015, the Consumer Financial Protection Bureau issued final rules delaying to October 3, 2015 (from August 2015) the effective date of broad new regulations concerning the disclosures required to be provided to prospective residential mortgage customers. These regulations, among other things, require the provision of new disclosures near the time a prospective borrower submits an application and three days prior to closing of a mortgage loan.

For additional information concerning recent legislative and regulatory developments, as well as certain governmental, legislative and regulatory inquiries and investigations that may affect PNC, please see the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors, and Note 21 Legal Proceedings and Note 22 Commitments and Guarantees in the Notes To Consolidated Financial Statements in our 2014 Form 10-K, as well as Note 15 Legal Proceedings and Note 16 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Key Factors Affecting Financial Performance

PNC faces a variety of risks that may impact various aspects of our risk profile from time to time. The extent of such impacts may vary depending on factors such as the current economic, political and regulatory environment, merger and acquisition activity and operational challenges. Many of these risks and our risk management strategies are described in more detail in our 2014 Form 10-K and elsewhere in this Report.

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

- General economic conditions, including the continuity, speed and stamina of the current U.S. economic expansion in general and on our customers in particular,
- The monetary policy actions and statements of the Federal Reserve and the Federal Open Market Committee (FOMC),
- The level of, and direction, timing and magnitude of movement in, interest rates and the shape of the interest rate yield curve,
- The functioning and other performance of, and availability of liquidity in, the capital and other financial markets,
- Loan demand, utilization of credit commitments and standby letters of credit, and asset quality,
- Customer demand for non-loan products and services,
- Changes in the competitive and regulatory landscape and in counterparty creditworthiness and performance as the financial services industry restructures in the current environment,
- The impact of the extensive reforms enacted in the Dodd-Frank legislation and other legislative,
- regulatory and administrative initiatives and actions, including those outlined elsewhere in this Report, in our 2014 Form 10-K and in subsequent filings with the SEC, and
- The impact of market credit spreads on asset valuations.

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

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

For additional information, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our 2014 Form 10-K.

Income Statement Highlights

Net income decreased $8 million, or 1%, in the second quarter of 2015 to $1.0 billion, or $1.88 per diluted common share, compared to $1.1 billion, or $1.85 per diluted common share for the second quarter of 2014. Growth in noninterest income and a lower provision for credit losses were more than offset by lower net interest income and higher noninterest expense.

- Net interest income of $2.1 billion for the second quarter of 2015 decreased 4% compared with the second quarter of 2014, reflective of the ongoing low rate environment, primarily resulting in lower loan yields, and decreased purchase accounting accretion, partially offset by commercial and commercial real estate loan growth and higher securities balances.
- Net interest margin decreased to 2.73% for the second quarter of 2015 compared to 3.12% for the second quarter of 2014 principally due to the impact of increasing the company s liquidity position, lower loan yields and lower benefit from purchase accounting accretion.
- Noninterest income of $1.8 billion for the second quarter of 2015 increased $133 million, or 8%, compared to the second quarter of 2014, due to strong client fee income growth and higher gains on asset sales, including gains on sales of Visa Class B common shares.
- The provision for credit losses decreased to $46 million for the second quarter of 2015 compared to $72 million for the second quarter of 2014 reflecting improved credit quality.
- Noninterest expense of $2.4 billion for the second quarter of 2015 increased $38 million, or 2%, compared with the second quarter of 2014 due to investments in technology and business infrastructure in support of its strategic priorities and higher personnel expense associated with higher business activity, partially offset by lower asset impairment charges related to historic tax credits recorded as reductions to the associated investment asset balance. PNC maintains a continued focus on disciplined expense management.

For additional detail, see the Consolidated Income Statement Review section in this Financial Review.

Credit Quality Highlights

Overall credit quality improved during the first six months of 2015.

- Nonperforming assets decreased $.3 billion, or 10%, to $2.6 billion at June 30, 2015 compared to December 31, 2014.
- Nonperforming assets to total assets were 0.73% at June 30, 2015, compared to 0.83% at December 31, 2014.
- Overall loan delinquencies of $1.6 billion at June 30, 2015 decreased $.3 billion, or 16%, compared with December 31, 2014.
- The allowance for loan and lease losses was 1.59% of total loans and 145% of nonperforming loans at June 30, 2015, compared with 1.63% and 133% at December 31, 2014, respectively.
- Net charge-offs of $67 million for the second quarter of 2015 were down 54% compared to net charge-offs of $145 million for the second quarter of 2014.
- Annualized net charge-offs were 0.13% of average loans in the second quarter of 2015 and 0.29% of average loans in the second quarter of 2014. For the first six months of 2015, net charge-offs were $170 million, and 0.17% of average loans on an annualized basis, compared with $331 million and 0.34% for the first six months of 2014.

For additional detail, see the Credit Risk Management portion of the Risk Management section of this Financial Review.

Balance Sheet, Liquidity and Capital Highlights

PNC s balance sheet was well-positioned at June 30, 2015 reflecting strong liquidity and capital positions.

- Total loans increased by $.3 billion to $205.2 billion at June 30, 2015 compared to December 31, 2014.
  - Total commercial lending increased $2.3 billion, or 2%, as a result of increases in commercial real estate and commercial loans.
  - Total consumer lending decreased $2.0 billion, or 3%, due to declines in home equity, automobile, education and credit card loans, including runoff in the nonstrategic portfolio.
- Investment securities increased $5.5 billion, or 10%, to $61.4 billion at June 30, 2015 compared to December 31, 2014, primarily funded by deposit growth.
- Total deposits increased $7.5 billion, or 3%, to $239.7 billion at June 30, 2015 compared with December 31, 2014, driven by higher retail deposits.
- PNC s balance sheet remained core funded with a loans to deposits ratio of 86% at June 30, 2015.
- PNC maintained a strong liquidity position.
  - New regulatory short-term liquidity standards became effective for PNC and PNC Bank as advanced approaches banking organizations beginning January 1, 2015, with a minimum phased-in Liquidity Coverage Ratio requirement of 80% in 2015, calculated as of month end.
  - The Liquidity Coverage Ratio (LCR) at June 30, 2015 exceeded 100% for both PNC and PNC Bank.
- PNC maintained a strong capital position.
  - The Transitional Basel III common equity Tier 1 capital ratio was 10.6% at June 30, 2015 and 10.9% at December 31, 2014, calculated using the regulatory capital methodologies applicable to PNC during 2015 and 2014, respectively. The decline in the capital ratio during the comparable periods was mainly due to higher risk-weighted assets.
  - Pro forma fully phased-in Basel III common equity Tier 1 capital ratio was an estimated 10.0% at June 30, 2015 and 10.0% at December 31, 2014 based on the standardized approach rules. See the Capital discussion and Table 19 in the Consolidated Balance Sheet

Review section of this Financial Review and the December 31, 2014 capital ratio tables in the Statistical Information (Unaudited) section of this Report for more detail.

PNC returned capital to shareholders.

In the first quarter of 2015, in accordance with the 2014 capital plan, PNC repurchased 4.4 million shares of common stock on the open market, with an average price of $89.48 per share and an aggregate repurchase price of $.4 billion. These first quarter 2015 repurchases completed PNC s common stock repurchase program for the four quarter period that began in second quarter 2014 with total repurchases of 17.3 million common shares for $1.5 billion.

In connection with the 2015 CCAR process, PNC submitted its 2015 capital plan, as approved by its Board of Directors, to the Federal Reserve in January 2015. As we announced on March 11, 2015, the Federal Reserve accepted the capital plan and did not object to our proposed capital actions, which included the actions discussed below.

In the second quarter of 2015, we repurchased 5.9 million shares of common stock on the open market, with an average price of $93.93 per share and an aggregate repurchase price of $.6 billion. Purchases were made under share repurchase programs of up to $2.875 billion for the five quarter period beginning in the second quarter of 2015. See the Capital portion of the Consolidated Balance Sheet review of this Financial Review for more detail on these share repurchase programs.

In April 2015, the Board of Directors raised the quarterly dividend on common stock to 51 cents per share, an increase of 3 cents per share, or 6 percent, effective with the May dividend. On July 2, 2015, the PNC Board of Directors declared a quarterly common stock cash dividend of 51 cents per share payable on August 5, 2015.

On May 4, 2015, we redeemed $500 million of PNC s Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series K, as well as all Depositary Shares representing interests therein. Each Depositary Share represented a 1/10 interest in a share of the Series K Preferred Stock. All 50,000 shares of Series K Preferred Stock, as well as all 500,000 Depositary Shares representing interests therein, were redeemed. The redemption price was $10,000 per share of Series K Preferred Stock equivalent to $1,000 per Depositary Share, plus declared and unpaid dividends up to but excluding the redemption date.

Our Consolidated Income Statement and Consolidated Balance Sheet Review sections of this Item 7 describe in greater detail the various items that impacted our results during the first six months of 2015 and 2014 and balances at June 30, 2015 and December 31, 2014, respectively.

Our ability to take certain capital actions, including plans to pay or increase common stock dividends or to repurchase shares under current or future programs, is subject to the results of the supervisory assessment of capital adequacy undertaken by the Federal Reserve as part of the CCAR process. For additional information, see the Supervision and Regulation section in Item 1 Business of our 2014 Form 10-K.

See the Capital portion of the Consolidated Balance Sheet Review and the Liquidity Risk Management portion of the Risk Management section of this Financial Review for more detail on our 2015 capital and liquidity actions.

Average Consolidated Balance Sheet Highlights

Table 2: Summarized Average Balance Sheet

Six months ended June 30			Change	
Dollars in millions	2015	2014	$	%
Average assets				
Interest-earning assets				
Investment securities	$ 58,310	$ 57,342	$ 968	2%
Loans	205,272	197,914	7,358	4%
Interest-earning deposits with banks	31,392	13,410	17,982	134%
Other	9,236	8,415	821	10%
Total interest-earning assets	304,210	277,081	27,129	10%
Noninterest-earning assets	46,151	43,968	2,183	5%
Total average assets	$ 350,361	$ 321,049	$ 29,312	9%
Average liabilities and equity				
Interest-bearing liabilities				
Interest-bearing deposits	$ 161,236	$ 151,212	$ 10,024	7%
Borrowed funds	56,757	46,747	10,010	21%
Total interest-bearing liabilities	217,993	197,959	20,034	10%
Noninterest-bearing deposits	74,245	67,951	6,294	9%
Other liabilities	12,181	10,313	1,868	18%
Equity	45,942	44,826	1,116	2%
Total average liabilities and equity	$ 350,361	$ 321,049	$ 29,312	9%

Seasonal and other factors may impact our period-end balances, whereas average balances are generally more indicative of underlying business trends apart from the impact of acquisitions and divestitures. The Consolidated Balance Sheet Review section of this Financial Review provides information on changes in selected Consolidated Balance Sheet categories at June 30, 2015 compared with December 31, 2014. Total assets were $353.9 billion at June 30, 2015 compared with $345.1 billion at December 31, 2014.

Average investment securities increased in the first six months of 2015 compared with the first six months of 2014, due to increases in average residential mortgage-backed securities and U.S. Treasury and government agency securities, partially offset by a decrease in average asset-backed securities. Total investment securities comprised 19% of average interest-earning assets for the first six months of 2015 and 21% for the first six months of 2014.

The increase in average total loans in the first six months of 2015 compared with the first six months of 2014 was driven by growth in average commercial loans of $7.4 billion and average commercial real estate loans of $2.2 billion, principally in our Corporate & Institutional Banking segment. These increases were partially offset by a decrease in consumer loans of $1.9 billion primarily attributable to lower home equity and education loans. Runoff in the non-strategic portfolio of residential mortgage and brokered home equity loans contributed to the decrease in loans.

Loans represented 67% of average interest-earning assets for the first six months of 2015 and 71% of average interest-earning assets for the first six months of 2014.

Average interest-earning deposits with banks, which are primarily maintained with the Federal Reserve Bank, increased in the comparison to the prior year period in part due to regulatory short-term liquidity standards phased in starting January 1, 2015 and also due to deposit growth.

The increase in average noninterest-earning assets in the first six months of 2015 compared with the first six months of 2014 was primarily driven by higher accounts receivable from trade date securities sales, which are included in noninterest-earnings assets for average balance sheet purposes, and an increase in trading assets, primarily net customer related derivatives values.

Average total deposits increased $16.3 billion, or 7%, to $235.5 billion in the first six months of 2015 compared with the first six months of 2014, primarily due to an increase in average transaction deposits, which grew to $201.4 billion for the first six months of 2015. Higher average money market deposits, average noninterest-bearing deposits and average interest-bearing demand deposits drove the increase in both commercial and consumer average transaction deposits. These increases were partially offset by a decrease of $1.8 billion in average retail

certificates of deposit attributable to runoff of maturing accounts. Total deposits at June 30, 2015 were

$239.7 billion compared with $232.2 billion at December 31, 2014 and are further discussed within the Consolidated Balance Sheet Review section of this Financial Review.

Average total deposits represented 67% of average total assets for the first six months of 2015 and 68% for the first six months of 2014.

The increase in average borrowed funds in the first six months of 2015 compared with the first six months of 2014 was primarily due to increases in average Federal Home Loan Bank (FHLB) borrowings and average bank notes and senior debt. The Liquidity Risk Management portion of the Risk Management section of this Financial Review includes additional information regarding our sources and uses of borrowed funds.

Business Segment Highlights

Total business segment earnings were $2.0 billion for both the first six months of 2015 and 2014. The Business Segments Review section of this Financial Review includes further analysis of our business segment results over the first six months of 2015 and 2014, including presentation differences from Note 17 Segment Reporting in our Notes To Consolidated Financial Statements of this Report. Note 17 Segment Reporting presents results of businesses for the three and six months ended June 30, 2015 and 2014.

We provide a reconciliation of total business segment earnings to PNC total consolidated net income as reported on a GAAP basis in Note 17 Segment Reporting in our Notes To Consolidated Financial Statements of this Report.

Table 3: Results Of Businesses Summary (a)

(Unaudited)

	Net Income		Revenue		Average Assets (b)	
Six months ended June 30 in millions	2015	2014	2015	2014	2015	2014
Retail Banking	$ 443	$ 383	$ 3,161	$ 3,008	$ 73,691	$ 75,559
Corporate & Institutional Banking	990	993	2,647	2,646	131,711	119,992
Asset Management Group	99	90	595	549	7,974	7,642
Residential Mortgage Banking	47	32	413	433	7,190	8,128
BlackRock	269	253	351	332	6,760	6,400
Non-Strategic Assets Portfolio	137	209	230	295	7,094	8,732
Total business segments	1,985	1,960	7,397	7,263	234,420	226,453
Other (c) (d) (e)	63	152	200	324	115,941	94,596
Total	$ 2,048	$ 2,112	$ 7,597	$ 7,587	$ 350,361	$ 321,049

(a) Our business information is presented based on our internal management reporting practices. We periodically refine our internal methodologies as management reporting practices are enhanced. Net interest income in business segment results reflects PNC s internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors. In the first quarter of 2015, enhancements were made to PNC s funds transfer pricing methodology primarily for costs related to the new regulatory short-term liquidity standards. The enhancements incorporate an additional charge assigned to assets, including for unfunded loan commitments. Conversely, a higher transfer pricing credit has been assigned to those deposits that are accorded higher value under LCR rules for liquidity purposes. These adjustments apply to business segment results, primarily favorably impacting Retail Banking and adversely impacting Corporate & Institutional Banking, prospectively beginning with the first quarter of 2015. Prior periods have not been adjusted due to the impracticability of estimating the impact of the change for prior periods.

(b) Period-end balances for BlackRock.

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

(d) Other includes differences between the total business segment financial results and our total consolidated net income. Additional detail is included in the Business Segments Review section of this Financial Review and in Note 17 Segment Reporting in the Notes To Consolidated Financial Statements in this Report.

(e) The decreases in net income and revenue in the first six months of 2015 compared to the first six months of 2014 for Other primarily reflected a decline in net interest income, partially offset by higher net securities gains.

CONSOLIDATED INCOME STATEMENT REVIEW

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

Net income for the first six months of 2015 was $2.0 billion, a decrease of 3% compared with $2.1 billion for the first six months of 2014. The decrease was driven by a 5% decline in net interest income and a 3% increase in noninterest expense, partially offset by a 6% increase in noninterest income and lower provision for credit losses.

Second quarter 2015 net income decreased $8 million to $1.0 billion, compared with second quarter 2014. Growth in noninterest income of 8% and lower provision for credit losses were more than offset by a 4% decline in net interest income and higher noninterest expense.

Net Interest Income

Table 4: Net Interest Income and Net Interest Margin

Dollars in millions	Six months ended June 30		Three months ended June 30	
	2015	2014	2015	2014
Net interest income	$ 4,124	$ 4,324	$ 2,052	$ 2,129
Net interest margin	2.78%	3.19%	2.73%	3.12%

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

Net interest income decreased by $200 million, or 5%, in the first six months of 2015 compared with the prior year period, including a decline of $77 million, or 4%, in the second quarter compared with the same prior year quarter. The declines in both comparisons are reflective of the ongoing low rate environment, primarily resulting in lower loan yields, and decreased purchase accounting accretion, partially offset by commercial and commercial real estate loan growth and higher securities balances. The year-to-date declines also reflected the impact from the second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to noninterest income.

Lower net interest margins in both comparisons were driven by 41 basis point and 39 basis point declines in the yields on total interest-earning assets in the year-to-date and quarterly

comparisons, respectively, which were principally due to the impact of increasing the company s liquidity position, lower loan yields, and lower benefit from purchase accounting accretion. The year-to-date decline also included the impact of the second quarter 2014 correction to reclassify certain commercial facilities fees.

In the third quarter of 2015, we expect net interest income to remain stable compared with the second quarter of 2015.

For full year 2015, we expect purchase accounting accretion to be down compared to 2014 by approximately $200 million, rather than $225 million as previously disclosed, as cash recoveries on purchased impaired loans in the first six months of 2015 were higher than expected.

Noninterest Income

Table 5: Noninterest Income

	Six months ended June 30				Three months ended June 30			
			Change				Change	
Dollars in millions	2015	2014	$	%	2015	2014	$	%
Noninterest income								
Asset management	$ 792	$ 726	$ 66	9%	$ 416	$ 362	$ 54	15%
Consumer services	645	613	32	5%	334	323	11	3%
Corporate services	713	644	69	11%	369	343	26	8%
Residential mortgage	328	343	(15)	(4)%	164	182	(18)	(10)%
Service charges on deposits	309	303	6	2%	156	156		%
Net gains on sales of securities	50	4	46	*	8	(6)	14	*
Other	636	630	6	1%	367	321	46	14%
Total noninterest income	$ 3,473	$ 3,263	$ 210	6%	$ 1,814	$ 1,681	$ 133	8%

* Not meaningful

Noninterest income increased in both quarterly and year-to-date comparisons primarily due to strong fee income growth and higher gains on asset sales. Noninterest income as a percentage of total revenue was 46% for the first six months of 2015, up from 43% for the first six months of 2014. The comparable amounts for the second quarters of 2015 and 2014 were 47% and 44%, respectively.

Asset management revenue increased in both comparisons due to increased earnings from our BlackRock investment, stronger average equity markets, and new business. The increases also included the impact from a $30 million trust settlement during the second quarter of 2015. Discretionary client assets under management increased to $134 billion at June 30, 2015 compared with $131 billion at June 30, 2014 driven by higher equity markets, new sales and positive net flows, after adjustments for cyclical client activities.

Consumer service fees increased in both the year-to-date and quarterly comparisons, primarily due to growth in customer-initiated transaction volumes.

Corporate services revenue increased in both comparisons due to increased treasury management and equity capital markets advisory fees, partially offset by lower mergers and acquisition advisory fees. The year-to-date results also reflect the impact of the second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to noninterest income.

Residential mortgage revenue decreased in both quarterly and year-to-date comparisons mainly driven by lower loan sales revenue, reflecting the impact from the second quarter 2014 sale of previously underperforming portfolio loans and lower servicing fee revenue, partially offset by higher net hedging gains on residential mortgage servicing rights.

Service charges on deposits for the first six months of 2015 increased slightly compared to the first six months of 2014, due to changes in product offerings and higher customer-related activity. Service charges on deposits for the second quarter of 2015 were stable with the prior year quarter.

Other noninterest income for the second quarter of 2015 included gains of $79 million on the sale of 1 million Visa Class B common shares compared with gains of $54 million on the sale of 1 million Visa Class B common shares in the second quarter of 2014. For the first six months of 2015 and 2014, gains on sales of Visa Class B common shares were $79 million and $116 million on the sale of 1 million and 2 million shares, respectively. In both comparisons, gains on loans held for sale increased.

As of June 30, 2015, we held approximately 6 million Visa Class B common shares with a fair value of approximately $649 million and a recorded investment of approximately $54 million.

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

In the third quarter of 2015, we expect the fee categories of noninterest income (asset management, consumer services, corporate services, residential mortgage and service charges on deposits) to remain stable compared to second quarter of 2015. We anticipate that continued growth in business activity in the third quarter will offset the impact to asset management revenue from the second quarter 2015 trust settlement.

Provision For Credit Losses

The provision for credit losses totaled $100 million for the first six months of 2015 compared with $166 million for the first six months of 2014, and was $46 million for the second quarter of 2015 compared with $72 million for the second quarter of 2014. The decreases in provision in both comparisons reflected improved credit quality.

We expect our provision for credit losses in the third quarter of 2015 to be between $50 million and $100 million.

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

Noninterest Expense

Noninterest expense increased $123 million, or 3%, to $4.7 billion for the first six months of 2015 compared to the first six months of 2014, and increased $38 million, or 2%, to $2.4 billion for the second quarter of 2015 compared to the prior year quarter. These increases were primarily related to PNC s investments in technology and business infrastructure in support of its strategic priorities and higher personnel expense associated with higher business activity, partially offset by lower asset impairment charges related to historic tax credits recorded as reductions to the associated investment asset balance. In prior periods, these credits were recorded as a reduction to income tax expense. This change in application of historic tax credits was not material to PNC s financial results.

In the second quarter of 2015, we have identified initiatives that support increasing our 2015 continuous improvement savings goal by an additional $100 million to $500 million.

For the third quarter of 2015, we expect noninterest expense to remain stable compared to second quarter 2015. We expect our full year 2015 expenses to be approximately one percent lower than full year 2014 expenses.

Effective Income Tax Rate

The effective income tax rate was 26.4% in the first six months of 2015 compared to 25.3% in the first six months of 2014. For the second quarter of 2015, our effective income tax rate was 28.2% compared with 25.4% for the second quarter of 2014. The effective tax rate is generally lower than the statutory rate primarily due to tax credits PNC receives from our investments in low income housing and new markets investments, as well as earnings in other tax exempt investments.

The increases to the effective tax rate in both comparisons were primarily related to the second quarter 2015 impact of historic tax credits recorded as a reduction to the associated investment asset balances, while in prior periods these credits were recorded as a reduction of income tax expense.

We expect our 2015 effective tax rate to be approximately 26%.

Consolidated Balance Sheet Review

Table 6: Summarized Balance Sheet Data

Dollars in millions	June 30 2015	December 31 2014	Change $	Change %
Assets				
Interest-earning deposits with banks	$ 33,969	$ 31,779	$ 2,190	7%
Loans held for sale	2,357	2,262	95	4%
Investment securities	61,362	55,823	5,539	10%
Loans	205,153	204,817	336	%
Allowance for loan and lease losses	(3,272)	(3,331)	59	(2)%
Goodwill	9,103	9,103		%
Mortgage servicing rights	1,558	1,351	207	15%
Other intangible assets	435	493	(58)	(12)%
Other, net	43,280	42,775	505	1%
Total assets	$ 353,945	$ 345,072	$ 8,873	3%
Liabilities				
Deposits	$ 239,704	$ 232,234	$ 7,470	3%
Borrowed funds	58,276	56,768	1,508	3%
Other	10,053	9,996	57	1%
Total liabilities	308,033	298,998	9,035	3%
Equity				
Total shareholders equity	44,515	44,551	(36)	%
Noncontrolling interests	1,397	1,523	(126)	(8)%
Total equity	45,912	46,074	(162)	%
Total liabilities and equity	$ 353,945	$ 345,072	$ 8,873	3%

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

The increase in total assets was primarily due to higher investment securities balances and higher deposit balances maintained with the Federal Reserve. Interest-earning deposits with banks increased due to regulatory short-term liquidity standards phased in starting January 1, 2015. The increase in investment securities was primarily funded by deposit growth. The increase in liabilities was largely due to growth in deposits and higher FHLB borrowings and issuances of bank notes and senior debt, partially offset by a decline in federal funds purchased and repurchase agreements along with commercial paper. An analysis of changes in selected balance sheet categories follows.

Loans

Outstanding loan balances of $205.2 billion at June 30, 2015 and $204.8 billion at December 31, 2014 were net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $1.6 billion at June 30, 2015 and $1.7 billion at December 31, 2014, respectively. The balances include purchased impaired loans but do not include future accretable net interest (*i.e.*, the difference between the undiscounted expected cash flows and the carrying value of the loan) on those loans.

Table 7: Details Of Loans

Dollars in millions	June 30 2015	December 31 2014	Change $	Change %
Commercial lending				
Commercial				
Retail/wholesale trade	$ 17,162	$ 16,972	$ 190	1%
Manufacturing	19,775	18,744	1,031	6%
Service providers	14,054	14,103	(49)	%
Real estate related (a)	10,931	10,812	119	1%
Financial services	5,966	6,178	(212)	(3)%
Health care	9,396	9,017	379	4%
Other industries	20,849	21,594	(745)	(3)%
Total commercial	98,133	97,420	713	1%
Commercial real estate				
Real estate projects (b)	15,142	14,577	565	4%
Commercial mortgage	9,664	8,685	979	11%
Total commercial real estate	24,806	23,262	1,544	7%
Equipment lease financing	7,783	7,686	97	1%
Total commercial lending (c)	130,722	128,368	2,354	2%
Consumer lending				
Home equity				
Lines of credit	19,589	20,361	(772)	(4)%
Installment	13,946	14,316	(370)	(3)%
Total home equity	33,535	34,677	(1,142)	(3)%
Residential real estate				
Residential mortgage	14,041	13,885	156	1%
Residential construction	491	522	(31)	(6)%
Total residential real estate	14,532	14,407	125	1%
Credit card	4,520	4,612	(92)	(2)%
Other consumer				
Education	6,212	6,626	(414)	(6)%
Automobile	11,057	11,616	(559)	(5)%
Other	4,575	4,511	64	1%
Total consumer lending	74,431	76,449	(2,018)	(3)%
Total loans	$ 205,153	$ 204,817	$ 336	%

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

The slight increase in loans was driven by an increase in total commercial lending driven by commercial real estate and commercial loans, offset by a decline in consumer lending due to lower home equity, auto and education loans.

Loans represented 58% of total assets at June 30, 2015 and 59% at December 31, 2014. Commercial lending represented 64% of the loan portfolio at June 30, 2015 and 63% at December 31, 2014. Consumer lending represented 36% of the loan portfolio at June 30, 2015 and 37% at December 31, 2014.

Commercial real estate loans represented 12% of total loans at June 30, 2015 and 11% of total loans at December 31, 2014 and represented 7% of total assets at both June 30, 2015 and December 31, 2014. See the Credit Risk Management portion of the Risk Management section of this Financial Review for additional information regarding our loan portfolio.

Total loans above include purchased impaired loans of $4.5 billion, or 2% of total loans, at June 30, 2015, and $4.9 billion, or 2% of total loans, at December 31, 2014.

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

Allowance for Loan and Lease Losses (ALLL)

Information regarding our higher risk loans and ALLL is included in the Credit Risk Management portion of the Risk Management section of this Financial Review and Note 1 Accounting Policies, Note 3 Asset Quality and Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in our Notes To Consolidated Financial Statements included in Part 1, Item 1 of this Report.

Purchase Accounting Accretion and Valuation of Purchased Impaired Loans

Information related to purchase accounting accretion and accretable yield for the second quarter and first six months of 2015 and 2014 follows. Additional information on our policies for ALLL for purchased impaired loans is provided in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements of this Report. A description of our purchased impaired loan accounting and loan data is included in Note 4 Purchased Loans in the Notes To Consolidated Financial Statements of this Report.

Table 8: Accretion Purchased Impaired Loans

	Three months ended June 30		Six months ended June 30	
In millions	2015	2014	2015	2014
Accretion on purchased impaired loans				
Scheduled accretion	$ 92	$ 120	$ 191	$ 245
Reversal of contractual interest on impaired loans	(52)	(70)	(107)	(138)
Scheduled accretion net of contractual interest	40	50	84	107
Excess cash recoveries (a)	28	35	61	64
Total	$ 68	$ 85	$ 145	$ 171

(a) Relates to excess cash recoveries for purchased impaired commercial loans.

Table 9: Purchased Impaired Loans Accretable Yield

In millions	2015	2014
January 1	$ 1,558	$ 2,055
Scheduled accretion	(191)	(245)
Excess cash recoveries	(61)	(64)
Net reclassification to accretable from non-accretable and other activity (a)	137	190
June 30 (b)	$ 1,443	$ 1,936

(a) Approximately 70% and 78% of the net reclassification for the first six months ended June 30, 2015 and 2014, respectively, were driven by the consumer portfolio and were due to improvements of cash expected to be collected on loans in future periods. The remaining net reclassifications were predominantly due to future cash flow changes in the commercial portfolio.

(b) As of June 30, 2015, we estimate that the reversal of contractual interest on purchased impaired loans will total approximately $.8 billion in future periods. This will offset the total net accretable interest in future interest income of $1.4 billion on purchased impaired loans.

Information related to the valuation of purchased impaired loans at June 30, 2015 and December 31, 2014 follows.

Table 10: Valuation of Purchased Impaired Loans

	June 30, 2015		December 31, 2014	
Dollars in millions	Balance	Net Investment	Balance	Net Investment
Commercial and commercial real estate loans:				
Outstanding balance (a)	$ 346		$ 466	
Recorded investment	$ 235		$ 310	
Allowance for loan losses	(67)		(79)	

Net investment/Carrying value	$ 168	49%	$ 231	50%
Consumer and residential mortgage loans:				
Outstanding balance (a)	$ 4,136		$ 4,541	
Recorded investment	$ 4,230		$ 4,548	
Allowance for loan losses	(788)		(793)	
Net investment/Carrying value	$ 3,442	83%	$ 3,755	83%
Total purchased impaired loans:				
Outstanding balance (a)	$ 4,482		$ 5,007	
Recorded investment	$ 4,465		$ 4,858	
Allowance for loan losses	(855)		(872)	
Net investment/Carrying value	$ 3,610	81%	$ 3,986	80%

(a) Outstanding balance represents the balance on the loan servicing system for active loans. It is possible for the outstanding balance to be lower than the recorded investment for certain loans due to the use of pool accounting. See Note 4 Purchased Loans for additional information on purchased impaired loans.

At June 30, 2015, our largest individual purchased impaired loan had a recorded investment of $9 million. We currently expect to collect total cash flows of $5.0 billion on purchased impaired loans, representing the $3.6 billion net investment at June 30, 2015 and the accretable net interest of $1.4 billion shown in Table 9.

At June 30, 2015, and as noted in Table 10 above, our ALLL and our recorded investment balance for purchased impaired loans is $855 million and $4.5 billion, respectively. The ratio of total ALLL less purchased impaired loan ALLL to total loans less purchased impaired loans is 1.20%. The comparable amounts at June 30, 2014 were $886 million, $5.6 billion, and 1.31%, respectively. See Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in this Report for additional information.

Weighted Average Life of the Purchased Impaired Portfolios

The table below provides the weighted average life (WAL) for each of the purchased impaired portfolios as of June 30, 2015.

Table 11: Weighted Average Life of the Purchased Impaired Portfolios

As of June 30, 2015

Dollars in millions	Recorded Investment	WAL (a)
Commercial	$ 50	2.2 years
Commercial real estate	185	1.4 years
Consumer (b)	1,833	3.9 years
Residential real estate	2,397	4.8 years
Total	$ 4,465	4.2 years

(a) Weighted average life represents the average number of years for which each dollar of unpaid principal remains outstanding.
(b) Portfolio primarily consists of nonrevolving home equity products.

Through the National City Corporation (National City) and RBC Bank (USA) acquisitions, we acquired purchased impaired loans with a recorded investment of $14.7 billion. As noted in Table 11 above, at June 30, 2015, those balances are now $4.5 billion, of which $4.2 billion is accounted for using pool accounting. In anticipation of the end of our purchased impaired loan balances and in light of supervisory guidance on industry practices for purchased impaired loans that are pooled and accounted for as single asset, management is re-evaluating its derecognition policies for purchased impaired loans that are pooled and accounted for as a single asset. Any resulting change in these policies would likely result in an acceleration of when a pool s recorded investment and associated ALLL balances are reduced. At implementation, we do not expect this potential change to impact the net carrying values of the pools or result in additional provision for credit losses for purchased impaired loans that are pooled, as a pool s recorded investment and associated ALLL balances are to be reduced in equal amounts. See Note 4

Purchased Loans in the Notes To Consolidated Financial Statements in this Report for additional information.

Purchased Impaired Loans Accretable Difference Sensitivity Analysis

The following table provides a sensitivity analysis on the Total Purchased Impaired Loans portfolio. The analysis reflects hypothetical changes in key drivers for expected cash flows over the life of the loans under declining and improving conditions at a point in time. Any unusual significant economic events or changes, as well as other variables not

considered below (*e.g.*, natural or widespread disasters), could result in impacts outside of the ranges represented below. Additionally, commercial and commercial real estate loan settlements or sales proceeds can vary widely from appraised values due to a number of factors including, but not limited to, special use considerations, liquidity premiums and improvements/deterioration in other income sources.

Table 12: Accretable Difference Sensitivity Total Purchased Impaired Loans

In billions	June 30, 2015	Declining Scenario (a)	Improving Scenario (b)
Expected cash flows	$ 5.0	$ (.1)	$ .2
Accretable difference	1.4		
Allowance for loan and lease losses	(.9)	(.1)	.2

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

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

Commitments to Extend Credit

Commitment to extend credit are comprised of the following:

Table 13: Commitments to Extend Credit (a)

In millions	June 30 2015	December 31 2014
Total commercial lending	$ 97,334	$ 98,742
Home equity lines of credit	17,570	17,839
Credit card	18,999	17,833
Other	4,339	4,178
Total	$ 138,242	$ 138,592

(a) Commitments to extend credit, or net unfunded loan commitments, represent arrangements to lend funds or provide liquidity subject to specified contractual conditions.

In addition to the credit commitments set forth in the table above, our net outstanding standby letters of credit totaled $9.5 billion at June 30, 2015 and $10.0 billion at December 31, 2014. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

Information regarding our commitments to extend credit and our allowance for unfunded loan commitments and letters of credit is included in Note 1 Accounting Policies, Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit and Note 16 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part 1, Item 1 of this Report.

INVESTMENT SECURITIES

The following table presents the distribution of our investment securities portfolio by credit rating. We have included credit ratings information because we believe that the information is an indicator of the degree of credit risk to which we are exposed. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio. For those securities on our balance sheet at June 30, 2015, where during our quarterly security-level impairment assessments we determined losses represented other-than-temporary impairment (OTTI), we have recorded cumulative credit losses of $1.2 billion in earnings and accordingly have reduced the amortized cost of our securities. The majority of these cumulative impairment charges related to non-agency residential mortgage-backed and asset-backed securities rated BB or lower.

Table 14: Investment Securities

	June 30, 2015		December 31, 2014		Ratings (a) As of June 30, 2015				
Dollars in millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value	AAA/ AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	$ 6,184	$ 6,385	$ 5,485	$ 5,714	100%				
Agency residential mortgage-backed	28,828	29,100	23,382	23,935	100				
Non-agency residential mortgage-backed	4,609	4,811	4,993	5,225	10	1%	2%	82%	5%
Agency commercial mortgage-backed	3,122	3,184	3,378	3,440	100				
Non-agency commercial mortgage-backed (b)	5,180	5,247	5,095	5,191	76	8	7	3	6
Asset-backed (c)	6,113	6,168	5,900	5,940	89	3		7	1
State and municipal	3,992	4,118	3,995	4,191	88	6			6
Other debt	2,129	2,167	2,099	2,142	61	30	8		1
Corporate stock and other	428	427	442	441					100
Total investment securities (d)	$ 60,585	$ 61,607	$ 54,769	$ 56,219	87%	3%	1%	7%	2%

(a) Ratings percentages allocated based on amortized cost.
(b) Collateralized primarily by retail properties, office buildings, lodging properties and multi-family housing.
(c) Collateralized primarily by government guaranteed student loans and other consumer credit products and corporate debt.
(d) Includes available for sale and held to maturity securities.

Investment securities represented 17% of total assets at June 30, 2015 and 16% at December 31, 2014.

We evaluate our investment securities portfolio in light of changing market conditions and other factors and, where appropriate, take steps to improve our overall positioning. We consider the portfolio to be well-diversified and of high quality. At June 30, 2015, 87% of the securities in the portfolio were rated AAA/AA, with U.S. Treasury and government agencies, agency residential mortgage-backed and agency commercial mortgage-backed securities collectively representing 63% of the portfolio.

The investment securities portfolio includes both available for sale and held to maturity securities. Securities classified as available for sale are carried at fair value with net unrealized gains and losses, representing the difference between amortized cost and fair value, included in Shareholders equity as Accumulated other comprehensive income or loss, net of tax, on our Consolidated Balance Sheet. Securities classified as held to maturity are carried at amortized cost. As of June 30, 2015, the amortized cost and fair value of available for sale securities totaled $46.9 billion and $47.7 billion, respectively, compared to an amortized cost and fair value as of December 31, 2014 of $43.2 billion and $44.2 billion, respectively. The amortized cost and fair value of held to maturity securities were $13.7 billion and $13.9 billion, respectively, at June 30, 2015,

compared to $11.6 billion and $12.0 billion, respectively, at December 31, 2014.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally decreases when interest rates increase and vice versa. In addition, the fair value generally decreases when credit spreads widen and vice versa. Net unrealized gains in the total investment securities portfolio decreased to $1.0 billion at June 30, 2015 from $1.5 billion at December 31, 2014 primarily due to the impact of market interest rates. The comparable amounts for the securities available for sale portfolio were $.8 billion at June 30, 2015 and $1.1 billion at December 31, 2014.

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

The duration of investment securities was 2.7 years at June 30, 2015. We estimate that, at June 30, 2015, the effective duration of investment securities was 2.8 years for an immediate 50 basis points parallel increase in interest rates and 2.6 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2014 for the effective duration of investment securities were 2.2 years and 2.1 years, respectively.

Based on current interest rates and expected prepayment speeds, the weighed-average expected maturity of the investment securities portfolio (excluding corporate stock and other) was 4.6 years at June 30, 2015 compared to 4.3 years at December 31, 2014. The weighted-average expected maturities of mortgage and other asset-backed debt securities were as follows as of June 30, 2015:

Table 15: Weighted-Average Expected Maturity of Mortgage and Other Asset-Backed Debt Securities

June 30, 2015	Years
Agency residential mortgage-backed securities	4.4
Non-agency residential mortgage-backed securities	5.3
Agency commercial mortgage-backed securities	3.4
Non-agency commercial mortgage-backed securities	2.9
Asset-backed securities	3.0

At least quarterly, we conduct a comprehensive security-level impairment assessment on all securities. If economic conditions, including home prices, were to deteriorate from current levels, and if market volatility and liquidity were to deteriorate from current levels, or if market interest rates were

to increase or credit spreads were to widen appreciably, the valuation of our investment securities portfolio would likely be adversely affected and we could incur additional OTTI credit losses that would impact our Consolidated Income Statement.

Additional information regarding our investment securities is included in Note 6 Investment Securities and Note 7 Fair Value in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report.

Loans Held for Sale

Table 16: Loans Held For Sale

In millions	June 30 2015	December 31 2014
Commercial mortgages at fair value	$ 757	$ 893
Commercial mortgages at lower of cost or fair value	27	29
Total commercial mortgages	784	922
Residential mortgages at fair value	1,364	1,261
Residential mortgages at lower of cost or fair value	5	18
Total residential mortgages	1,369	1,279
Other	204	61
Total	$ 2,357	$ 2,262

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

We sold $2.2 billion of commercial mortgage loans to agencies during the first six months of 2015 compared to $935 million during the first six months of 2014. Total gains of $51 million were recognized on the valuation and sale of commercial mortgage loans held for sale, net of hedges, during the first six months of 2015, including $36 million in the second quarter. Comparable amounts for 2014 were $29 million and $22 million, respectively. These amounts are included in Other noninterest income on our Consolidated Income Statement.

Residential mortgage loan origination volume was $5.5 billion during the first six months of 2015 compared to $4.5 billion during the first six months of 2014. The majority of such loans were originated under agency or Federal Housing Administration (FHA) standards. We sold $4.0 billion of loans and recognized loan sales revenue of $203 million during the first six months of 2015, of which $99 million occurred in the second quarter. The comparable amounts for the first six months of 2014 were $4.3 billion and $242 million, respectively, including $135 million in the second quarter.

Interest income on loans held for sale was $46 million during the first six months of 2015, including $23 million in the second quarter. Comparable amounts for 2014 were $47 million and $24 million, respectively. These amounts are included in Other interest income on our Consolidated Income Statement.

Additional information regarding our loan sale and servicing activities is included in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities and Note 7 Fair Value in our Notes To Consolidated Financial Statements included in Part 1, Item 1 of this Report.

Goodwill and Intangible Assets

Goodwill and intangible assets of $11.1 billion remained relatively flat at June 30, 2015. See additional information regarding our goodwill and intangible assets in Note 8 Goodwill and Intangible Assets included in the Notes To Consolidated Financial Statements in Part 1, Item 1 of this Report.

Funding Sources

Table 17: Details Of Funding Sources

	June 30	December 31	Change	
Dollars in millions	2015	2014	$	%
Deposits				
Money market	$ 122,643	$ 115,438	$ 7,205	6%
Demand	82,653	82,829	(176)	%
Retail certificates of deposit	18,265	18,544	(279)	(2)%
Savings	13,818	12,571	1,247	10%
Time deposits in foreign offices and other time deposits	2,325	2,852	(527)	(18)%
Total deposits	239,704	232,234	7,470	3%
Borrowed funds				
Federal funds purchased and repurchase agreements	2,190	3,510	(1,320)	(38)%
FHLB borrowings	22,193	20,005	2,188	11%
Bank notes and senior debt	18,529	15,750	2,779	18%
Subordinated debt	9,121	9,151	(30)	%
Commercial paper	2,956	4,995	(2,039)	(41)%
Other	3,287	3,357	(70)	(2)%
Total borrowed funds	58,276	56,768	1,508	3%
Total funding sources	$ 297,980	$ 289,002	$ 8,978	3%

See the Liquidity Risk Management portion of the Risk Management section of this Financial Review for additional information regarding our 2015 capital and liquidity activities.

Total deposits increased $7.5 billion at June 30, 2015 compared with December 31, 2014 due to strong growth in money market and savings, partially offset by lower other time deposits. Interest-bearing deposits represented 68% of total deposits at both June 30, 2015 and December 31, 2014. Total borrowed funds increased $1.5 billion since December 31, 2014 as higher issuances of bank notes and senior debt and FHLB borrowings were partially offset by a decline in commercial paper and federal funds purchased and repurchase agreements.

Capital

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

We repurchase shares of PNC common stock under common stock repurchase authorizations approved from time to time by PNC s Board of Directors and consistent with capital plans submitted to, and accepted by, the Federal Reserve. Through the first quarter of 2015, we repurchased stock under our 2007 common stock repurchase program authorization that permitted us to purchase up to 25 million shares of PNC common stock on the open market or in privately negotiated transactions. Effective as of March 31, 2015, PNC s Board of Directors approved the termination of the 2007 common stock repurchase program authorization, and replaced it with a new stock repurchase program authorization in the amount of 100 million shares of PNC common stock, effective April 1, 2015. The extent and timing of share repurchases under this authorization will depend on a number of factors including, among others, market and general economic conditions, economic and regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, contractual and regulatory limitations, and the results of future supervisory assessments of capital adequacy and capital planning processes undertaken by the Federal Reserve as part of the CCAR process.

In the first quarter of 2015, we completed our common stock repurchase programs for the four quarter period that began in second quarter 2014 with total repurchases of 17.3 million common shares for $1.5 billion. These repurchases were included in our 2014 capital plan accepted by the Federal Reserve as part of our 2014 CCAR submission.

In connection with 2015 CCAR, we submitted our 2015 capital plan, as approved by PNC s Board of Directors, to the Federal Reserve in January 2015. The Federal Reserve accepted the capital plan and did not object to our proposed capital actions in March 2015. As provided for in the 2015 capital plan, we announced new share repurchase programs of up to $2.875 billion for the five quarter period beginning in the second quarter of 2015. These programs include repurchases of up to $375 million over the five quarter period related to stock issuances under employee benefit-related programs.

Under the Federal Reserve s capital plan rule, a bank holding company must resubmit a new capital plan prior to the annual submission date if, among other things, there has been or will be a material change in the bank holding company s risk profile, financial condition, or corporate structure since its last capital plan submission.

See the Supervision and Regulation section of Item 1 Business of our 2014 Form 10-K for further information concerning the CCAR process and the factors the Federal Reserve takes into consideration in its evaluation of capital plans and the Balance Sheet, Liquidity and Capital Highlights portion of the Executive Summary section of this Financial Review for the impact of the Federal Reserve s current supervisory assessment of the capital adequacy program.

Table 18: Shareholders Equity

	June 30	December 31	Change	
Dollars in millions	2015	2014	$	%
Shareholders equity				
Preferred stock (a)				
Common stock	$ 2,708	$ 2,705	$ 3	%
Capital surplus preferred stock	3,449	3,946	(497)	(13)%
Capital surplus common stock and other	12,632	12,627	5	%
Retained earnings	27,609	26,200	1,409	5%
Accumulated other comprehensive income	379	503	(124)	(25)%
Common stock held in treasury at cost	(2,262)	(1,430)	(832)	(58)%
Total shareholders equity	$ 44,515	$ 44,551	$ (36)	%

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

The slight decline in total shareholders equity compared to December 31, 2014 reflected common share repurchases of $1.0 billion and the redemption of $500 million of preferred stock, partially offset by an increase in retained earnings. The increase in retained earnings was driven by net income of $2.0 billion, reduced by $631 million of common and preferred dividends declared. Common shares outstanding were 516 million at June 30, 2015 and 523 million at December 31, 2014.

In the first quarter of 2015, PNC repurchased 4.4 million common shares for $.4 billion. In the second quarter of 2015, PNC repurchased 5.9 million common shares for $.6 billion. All of these repurchases were under the authorizations and programs then in effect, as described above.

Table 19: Basel III Capital

	June 30, 2015	
Dollars in millions	Transitional Basel III (a)	Pro forma Fully Phased-In Basel III (b)(c)
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	$ 13,079	$ 13,079
Retained earnings	27,609	27,609
Accumulated other comprehensive income for securities currently and previously held as available for sale	217	541
Accumulated other comprehensive income for pension and other postretirement plans	(195)	(488)
Goodwill, net of associated deferred tax liabilities	(8,849)	(8,849)
Other disallowed intangibles, net of deferred tax liabilities	(150)	(374)
Other adjustments/(deductions)	(101)	(148)
Total common equity Tier 1 capital before threshold deductions	31,610	31,370
Total threshold deductions	(430)	(1,159)
Common equity Tier 1 capital	31,180	30,211
Additional Tier 1 capital		
Preferred stock plus related surplus	3,449	3,449
Trust preferred capital securities	50	
Noncontrolling interests (d)	604	44
Other adjustments/(deductions)	(90)	(105)
Tier 1 capital	35,193	33,599
Additional Tier 2 capital		
Qualifying subordinated debt	4,841	4,415
Trust preferred capital securities	149	
Allowance for loan and lease losses included in Tier 2 capital	3,518	223
Other	5	10
Total Basel III capital	$ 43,706	$ 38,247
Risk-weighted assets		
Basel III standardized approach risk-weighted assets (e)	$ 293,862	$ 301,688
Estimated Basel III advanced approaches risk-weighted assets (f)	N/A	286,277
Average quarterly adjusted total assets	342,680	341,687
Supplementary leverage exposure (g)	405,726	404,792
Basel III risk-based capital and leverage ratios		
Common equity Tier 1	10.6%	10.0% (h)(j)
Tier 1	12.0	11.1(h)(k)
Total	14.9	13.4(i)(l)
Leverage (m)	10.3	9.8
Supplementary leverage ratio (n)	8.7	8.3

(a) Calculated using the regulatory capital methodology applicable to PNC during 2015.
(b) PNC utilizes the pro forma fully phased-in Basel III capital ratios to assess its capital position (without the benefit of phase-ins), including comparison to similar estimates made by other financial institutions. Pro forma fully phased-in capital amounts, ratios and risk-weighted and leverage-related assets are estimated.
(c) Basel III capital ratios and estimates may be impacted by additional regulatory guidance or analysis and, in the case of those ratios calculated using the advanced approaches, the ongoing evolution, validation and regulatory approval of PNC s models integral to the calculation of advanced approaches risk-weighted assets.
(d) Primarily includes REIT Preferred Securities.
(e) Includes credit and market risk-weighted assets.
(f) Includes credit, market and operational risk-weighted assets.
(g) Supplementary leverage exposure is the sum of Adjusted average assets and certain off-balance sheet exposures including undrawn credit commitments and derivative potential future exposures.
(h) Pro forma fully phased-in Basel III capital ratio based on estimated Basel III standardized approach risk-weighted assets and rules.
(i) Pro forma fully phased-in Basel III capital ratio based on estimated Basel III advanced approaches risk-weighted assets and rules.
(j) For comparative purposes only, the pro forma fully phased-in advanced approaches Basel III Common equity Tier 1 capital ratio estimate is 10.6%. This capital ratio is calculated using pro forma fully phased-in Common equity Tier 1 capital and dividing by estimated Basel III advanced approaches risk-weighted assets.
(k)

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

(l) For comparative purposes only, the pro forma fully phased-in standardized approach Basel III Total capital risk-based capital ratio estimate is 13.8%. This ratio is calculated using fully phased-in additional Tier 2 capital which, under the standardized approach, reflects allowance for loan and lease losses of up to 1.25% of credit risk related risk-weighted assets and dividing by estimated Basel III standardized approach risk-weighted assets.

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

(n) Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure. As advanced approaches banking organizations, PNC and PNC Bank will be subject to a 3% minimum supplementary leverage ratio effective January 1, 2018.

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

As a result of the staggered effective dates of the final U.S. Basel III regulatory capital rules (Basel III rules), as well as the fact that PNC remains in the parallel run qualification phase for the advanced approaches, PNC s regulatory risk-based ratios in 2015 will be calculated using the standardized approach, effective January 1, 2015, for determining risk-weighted assets, and the definitions of, and deductions from, regulatory capital under the Basel III rules (as such definitions and deductions are phased-in for 2015). We refer to the capital ratios calculated using the phased-in Basel III provisions in effect for 2015 and, for the risk-based ratios, standardized approach risk-weighted assets as the 2015 Transitional Basel III ratios. Under the standardized approach for determining credit risk-weighted assets, exposures are generally assigned a pre-defined risk weight. Exposures to high volatility commercial real estate, past due exposures, equity exposures and securitization exposures are generally subject to higher risk weights than other types of exposures.

Under the Basel III rules adopted by the U.S. banking agencies, significant common stock investments in unconsolidated financial institutions, mortgage servicing rights and deferred tax assets must be deducted from capital (subject to a phase-in schedule) to the extent they individually exceed 10%, or in the aggregate exceed 15%, of the institution s adjusted common equity Tier 1 capital. Also, Basel III regulatory capital includes (subject to a phase-in schedule) accumulated other comprehensive income related to securities currently and previously held as available for sale, as well as pension and other postretirement plans.

Federal banking regulators have stated that they expect the largest U.S. bank holding companies, including PNC, to have a level of regulatory capital well in excess of the regulatory minimum and have required the largest U.S. bank holding companies, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. We seek to manage our capital consistent with these regulatory principles, and believe that our June 30, 2015 capital levels were aligned with them.

At June 30, 2015, PNC and PNC Bank, our sole bank subsidiary, were both considered well capitalized, based on applicable U.S. regulatory capital ratio requirements. To qualify as well capitalized during 2015, PNC and PNC Bank must have Transitional Basel III capital ratios of at least 6.5% for Common equity Tier 1 capital, 8% for Tier 1 risk-based and 10% for Total risk-based, and PNC Bank is required to have a Transitional Basel III leverage ratio of at least 5%.

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

We provide additional information regarding regulatory capital requirements and some of their potential impacts on PNC in the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors and Note 20 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of our 2014 Form 10-K.

Off-Balance Sheet Arrangements And Variable Interest Entities

We engage in a variety of activities that involve unconsolidated entities or that are otherwise not reflected in our Consolidated Balance Sheet that are generally referred to as off-balance sheet arrangements. Additional information on these types of activities is included in our 2014 Form 10-K and in the following sections of this Report:

- Commitments, including contractual obligations and other commitments, included within the Risk Management section of this Financial Review,
- Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements,
- Note 9 Capital Securities of a Subsidiary Trust and Perpetual Trust Securities in the Notes To Consolidated Financial Statements, and
- Note 16 Commitments and Guarantees in the Notes To Consolidated Financial Statements.

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

A summary of VIEs, including those that we have consolidated and those in which we hold variable interests but have not consolidated into our financial statements, as of June 30, 2015 and December 31, 2014 is included in Note 2 of this Report.

Trust Preferred Securities

We are subject to certain restrictions, including restrictions on dividend payments, in connection with $206 million in principal amount of an outstanding junior subordinated debenture associated with $200 million of trust preferred securities that were issued by PNC Capital Trust C, a subsidiary statutory trust (both amounts as of June 30, 2015). Generally, if there is (i) an event of default under the debenture, (ii) PNC elects to defer interest on the debenture, (iii) PNC exercises its right to defer payments on the related trust preferred security issued by the statutory trust or (iv) there is a default under PNC s guarantee of such payment obligations, as specified in the applicable governing documents, then PNC would be subject during the period of such default or deferral to restrictions on dividends and other provisions protecting the status of the debenture holders similar to or in some ways more restrictive than those potentially imposed under the Exchange Agreement with PNC Preferred Funding Trust II. See Note 12 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in the Notes To Consolidated Financial Statements in Item 8 of our 2014 Form 10-K for information on contractual limitations on dividend payments resulting from securities issued by PNC Preferred Funding Trust I and PNC Preferred Funding Trust II.

FAIR VALUE MEASUREMENTS

In addition to the following, see Note 7 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further information regarding fair value.

The following table summarizes the assets and liabilities measured at fair value at June 30, 2015 and December 31, 2014, respectively, and the portions of such assets and liabilities that are classified within Level 3 of the valuation hierarchy. Level 3 assets and liabilities are those where the fair value is estimated using significant unobservable inputs.

Table 20: Fair Value Measurements Summary

	June 30, 2015		December 31, 2014	
Dollars in millions	Total Fair Value	Level 3	Total Fair Value	Level 3
Total assets	$ 62,102	$ 9,719	$ 58,973	$ 10,257
Total assets at fair value as a percentage of consolidated assets	18%		17%	
Level 3 assets as a percentage of total assets at fair value		16%		17%
Level 3 assets as a percentage of consolidated assets		3%		3%
Total liabilities	$ 5,493	$ 673	$ 5,799	$ 716
Total liabilities at fair value as a percentage of consolidated liabilities	2%		2%	
Level 3 liabilities as a percentage of total liabilities at fair value		12%		12%
Level 3 liabilities as a percentage of consolidated liabilities		<1%		<1%

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

An instrument s categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. PNC s policy is to recognize transfers in and transfers out as of the end of the reporting period. For additional information regarding the transfers of assets or liabilities between hierarchy levels, see Note 7 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

BUSINESS SEGMENTS REVIEW

We have six reportable business segments:

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

Business segment results, including inter-segment revenues, and a description of each business are included in Note 17 Segment Reporting included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report. Certain amounts included in this Financial Review differ from those amounts shown in Note 17 primarily due to the presentation in this Financial Review of business net interest revenue on a taxable-equivalent basis. Note 17 presents results of businesses for the first six months and second quarter of 2015 and 2014.

Net interest income in business segment results reflects PNC s internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors. In the first quarter of 2015, enhancements were made to PNC s funds transfer pricing methodology primarily for costs related to the new regulatory short-term liquidity standards. The enhancements incorporate an additional charge assigned to assets, including for unfunded loan commitments. Conversely, a higher transfer pricing credit has been assigned to those deposits that are accorded higher value under LCR rules for liquidity purposes. Please see the Supervision and Regulation section in Item 1 and the Liquidity Risk Management section

in Item 7 of our 2014 Form 10-K for more information about the LCR. These adjustments apply to business segment results, primarily favorably impacting Retail Banking and adversely impacting Corporate & Institutional Banking, prospectively beginning with the first quarter of 2015. Prior periods have not been adjusted due to the impracticability of estimating the impact of the change for prior periods.

Retail Banking

(Unaudited)

Table 21: Retail Banking Table

Six months ended June 30

Dollars in millions, except as noted	2015	2014
Income Statement		
Net interest income	$ 2,083	$ 1,953
Noninterest income		
Service charges on deposits	294	288
Brokerage	138	116
Consumer services	487	466
Other	159	185
Total noninterest income	1,078	1,055
Total revenue	3,161	3,008
Provision for credit losses	94	149
Noninterest expense	2,368	2,255
Pretax earnings	699	604
Income taxes	256	221
Earnings	$ 443	$ 383
Average Balance Sheet		
Loans		
Consumer		
Home equity	$ 27,964	$ 29,137
Indirect auto	9,287	9,043
Indirect other	580	751
Education	6,506	7,422
Credit cards	4,446	4,289
Other	2,360	2,164
Total consumer	51,143	52,806
Commercial and commercial real estate	10,612	10,986
Floor plan	2,200	2,332
Residential mortgage	731	635
Total loans	64,686	66,759
Goodwill and other intangible assets	5,983	6,052
Other assets	3,022	2,748
Total assets	$ 73,691	$ 75,559
Deposits		
Noninterest-bearing demand	$ 23,015	$ 21,634
Interest-bearing demand	36,054	33,883
Money market	54,071	49,815
Total transaction deposits	113,140	105,332
Savings	13,245	11,568
Certificates of deposit	17,032	19,617
Total deposits	143,417	136,517
Other liabilities	603	405
Total liabilities	$ 144,020	$ 136,922
Performance Ratios		
Return on average assets	1.21%	1.02%
Noninterest income to total revenue	34	35
Efficiency	75	75
Other Information (a)		
Credit-related statistics:		
Commercial nonperforming assets	$ 126	$ 158
Consumer nonperforming assets	1,001	1,037
Total nonperforming assets (b)	$ 1,127	$ 1,195
Purchased impaired loans (c)	$ 531	$ 631
Commercial lending net charge-offs	$ 2	$ 31
Credit card lending net charge-offs	73	74
Consumer lending (excluding credit card) net charge-offs	110	156

Total net charge-offs	$ 185	$ 261
Commercial lending annualized net charge-off ratio	.03%	.47%
Credit card lending annualized net charge-off ratio	3.29%	3.48%
Consumer lending (excluding credit card) annualized net charge-off ratio	.47%	.64%
Total annualized net charge-off ratio	.58%	.79%
At June 30	2015	2014
Other Information (Continued) (a)		
Home equity portfolio credit statistics: (d)		
% of first lien positions at origination (e)	55%	53%
Weighted-average loan-to-value ratios (LTVs) (e) (f)	76%	79%
Weighted-average updated FICO scores (g)	751	748
Annualized net charge-off ratio	.38%	.65%
Delinquency data % of total loans: (h)		
Loans 30 59 days past due	.20%	.19%
Loans 60 89 days past due	.08%	.07%
Accruing loans past due	.28%	.26%
Nonperforming loans	3.13%	3.08%
Other statistics:		
ATMs	8,880	7,977
Branches (i)	2,644	2,695
Brokerage account client assets (in billions) (j)	$ 44	$ 43
Customer-related statistics (average):		
Non-teller deposit transactions (k)	41%	32%
Digital consumer customers (l)	51%	44%

(a) Presented as of June 30, except for net charge-offs, net charge-off ratios, which are for the six months ended and customer-related statistics which are averages for the six months ended.
(b) Includes nonperforming loans of $1.1 billion at both June 30, 2015 and June 30, 2014.
(c) Recorded investment of purchased impaired loans related to acquisitions.
(d) Lien position, LTV and FICO statistics are based upon customer balances.
(e) Lien position and LTV calculations reflect management assumptions where data limitations exist.
(f) LTV statistics are based upon current information.
(g) Represents FICO scores that are updated at least quarterly.
(h) Data based upon recorded investment. Past due amounts exclude purchased impaired loans, even if contractually past due, as we are currently accreting interest income over the expected life of the loans.
(i) Excludes satellite offices (*e.g.*, drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(j) Amounts include cash and money market balances.
(k) Percentage of total consumer and business banking deposit transactions processed at an ATM or through our mobile banking application.
(l) Represents consumer checking relationships that process the majority of their transactions through non-teller channels.

Retail Banking earned $443 million in the first six months of 2015 compared with earnings of $383 million for the same period a year ago. The increase in earnings was driven by increased net interest income and noninterest income and lower provision for credit losses partially offset by higher noninterest expense. Noninterest income included lower gains on sales of Visa Class B common shares.

Retail Banking continues to enhance the customer experience with refinements to product offerings that drive product value for consumers and small businesses. We are focused on growing customer share of wallet through the sale of liquidity, banking, and investment products.

Retail Banking continued to focus on the strategic priority of transforming the customer experience through transaction migration, branch network transformation and multi-channel sales strategies.

- In the first six months of 2015, approximately 51% of consumer customers used non-teller channels for the majority of their transactions compared with 44% for the same period in 2014.
- Deposit transactions via ATM and mobile channels increased to 41% of total deposit transactions in the first half of 2015 compared with 32% for the same period a year ago.
- Integral to PNC s retail branch transformation strategy, more than 300 branches operate under the universal model designed to drive higher ATM and mobile deposits and enhance sales opportunities for branch personnel. During the first half of 2015, the total branch network was reduced by 53 branches and the ATM network was increased by 275 ATMs. PNC had a network of 2,644 branches and 8,880 ATMs at June 30, 2015.
- As part of Retail Banking s transformation and multi-channel sales strategy, PNC s proactive customer appointment setting model was rolled out to all markets.
- Instant debit card issuance is now available in more than 500 branches, approximately 20% of the branch network.
- By the end of third quarter, all branches will have Apple iPad technology to demonstrate product capabilities to customers and prospects.

Total revenue for the first six months of 2015 increased $153 million compared to the same period a year ago, which included a $130 million increase in net interest income. In addition to the benefit from the enhancements to internal funds transfer pricing methodology in the first quarter of 2015, net interest income increased slightly, as growth in deposit balances was partially offset by lower loan balances and yields and lower purchase accounting accretion on loans and deposits.

Noninterest income increased $23 million, or 2%, compared to the first six months of 2014. Noninterest income included gains on sales of Visa Class B common shares of $79 million on one million shares and $116 million on two million shares, in the first six months of 2015 and 2014, respectively. Excluding these gains, noninterest income increased $60 million, or 6%, as a result of increases in customer-initiated transactions, brokerage fees, changes in product offerings, and increased merchant processing revenue.

Provision for credit losses and net charge-offs in the first six months of 2015 declined by $55 million and $76 million, respectively, in the comparison to the same period a year ago. Provision for credit losses decreased due to improved credit metrics. Lower net charge-offs were driven by improved credit quality in both the consumer and commercial portfolios.

Noninterest expense increased $113 million in the first six months of 2015 compared to the same period in 2014. Increases in technology investments, sales incentive compensation, marketing, and customer transaction-related costs were offset by reduced branch network expenses as a result of transaction migration to lower cost digital and ATM channels.

Growing core checking deposits is key to Retail Banking s growth and to providing a source of low-cost funding and liquidity to PNC. The deposit product strategy of Retail Banking is to remain disciplined on pricing, target specific products and markets for growth, and focus on the retention and growth of customer balances. In the first half of 2015, average total deposits increased $6.9 billion, or 5%, compared with the same period in 2014.

- Average transaction deposits grew $7.8 billion, or 7%, and average savings deposit balances grew $1.7 billion, or 14%, compared to the first six months of 2014 as a result of organic deposit growth. Compared to the same period a year ago, average demand deposits increased $3.6 billion, or 6%, to $59.1 billion and average money market deposits increased $4.3 billion, or 9%.
- Total average certificates of deposit decreased $2.6 billion in the first six months of 2015, or 13%, compared to the same period in 2014. The decline in average certificates of deposit was due to the expected run-off of maturing accounts.

Retail Banking continued to focus on a relationship-based lending strategy that targets specific products and markets for growth, including small businesses and auto dealerships. In the first six months of 2015, average total loans declined $2.1 billion, compared to the same period a year ago, driven by a decline in home equity loans and declines from run-off of non-strategic portions of the portfolios.

- Average home equity loans decreased $1.2 billion, or 4%, compared to the first six months of 2014. The overall portfolio decline resulted from pay-downs and payoffs on loans exceeding new booked volume. Retail Banking s home equity loan portfolio is relationship based, with 97% of the portfolio attributable to borrowers in our primary geographic footprint.
- Average auto dealer floor plan loans declined $132 million, or 6%, in the first half of 2015, compared to the same period in 2014, primarily resulting from lower dealer line utilization.
- Average indirect auto loans increased $244 million, or 3%, compared to the first six months 2014. The increase was primarily due to growth in newer footprint indirect auto markets.
- Average credit card balances increased $157 million, or 4%, over the same period in 2014 as a result of efforts to increase credit card share of wallet through organic growth.
- Average residential mortgage balances increased $96 million, or 15%, compared to the first six months of 2014. The increase was due to the transfer of $198 million in Community Reinvestment Act (CRA) mortgage loans from the Residential Mortgage Banking business segment in January 2015.
- In the first half of 2015, average loan balances for the remainder of the portfolio declined a net $1.3 billion, compared to the same period a year ago, driven by declines in the education portfolio of $916 million and commercial & commercial real estate of $374 million. The discontinued government guaranteed education loan and indirect other portfolios are primarily run-off portfolios.

Nonperforming assets declined $68 million, or 6%, at June 30, 2015 compared to June 30, 2014. The decrease was driven by declines in both commercial and consumer non-performing loans.

Corporate & Institutional Banking

(Unaudited)

Table 22: Corporate & Institutional Banking Table

Six months ended June 30		
Dollars in millions, except as noted	2015	2014
Income Statement		
Net interest income	$ 1,726	$ 1,855
Noninterest income		
Corporate service fees	651	580
Other	270	211
Noninterest income	921	791
Total revenue	2,647	2,646
Provision for credit losses	37	90
Noninterest expense	1,061	992
Pretax earnings	1,549	1,564
Income taxes	559	571
Earnings	$ 990	$ 993
Average Balance Sheet		
Loans		
Commercial	$ 85,228	$ 76,771
Commercial real estate	22,319	20,640
Equipment lease financing	6,920	6,834
Total commercial lending	114,467	104,245
Consumer	1,113	1,070
Total loans	115,580	105,315
Goodwill and other intangible assets	3,840	3,815
Loans held for sale	1,048	913
Other assets	11,243	9,949
Total assets	$ 131,711	$ 119,992
Deposits		
Noninterest-bearing demand	$ 47,449	$ 42,646
Money market	22,002	20,476
Other	9,368	7,548
Total deposits	78,819	70,670
Other liabilities	8,083	7,477
Total liabilities	$ 86,902	$ 78,147
Performance Ratios		
Return on average assets	1.52%	1.67%
Noninterest income to total revenue	35	30
Efficiency	40	37
Commercial Loan Servicing Portfolio Serviced For PNC and Others (in billions)		
Beginning of period	$ 377	$ 347
Acquisitions/additions	96	39
Repayments/transfers	(37)	(33)
End of period	$ 436	$ 353
Other Information		
Consolidated revenue from: (a)		
Treasury Management (b)	$ 653	$ 624
Capital Markets (b)	$ 385	$ 335
Commercial mortgage banking activities		
Commercial mortgage loans held for sale (c)	$ 73	$ 52
Commercial mortgage loan servicing income (d)	121	108
Commercial mortgage servicing rights valuation, net of economic hedge (e)	24	25
Total	$ 218	$ 185
Average Loans (by C&IB business)		
Corporate Banking	$ 58,323	$ 52,947
Real Estate	30,248	26,827
Business Credit	14,415	12,868
Equipment Finance	10,938	10,250

Other	1,656	2,423
Total average loans	$ 115,580	$ 105,315
Total loans (f)	$ 115,708	$ 108,990
Net carrying amount of commercial mortgage servicing rights (f)	$ 543	$ 515
Credit-related statistics:		
Nonperforming assets (f) (g)	$ 463	$ 715
Purchased impaired loans (f) (h)	$ 181	$ 370
Net charge-offs (recoveries)	$ (20)	$ 17

(a) Represents consolidated PNC amounts. See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities in the Product Revenue section of the Corporate & Institutional Banking portion of this Business Segments Review section.
(b) Includes amounts reported in net interest income, corporate service fees and other noninterest income.
(c) Includes other noninterest income for valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, origination fees, gains on sale of loans held for sale and net interest income on loans held for sale.
(d) Includes net interest income and noninterest income, primarily in corporate services fees, from loan servicing and ancillary services, net of changes in fair value on commercial mortgage servicing rights due to time and payoffs. Commercial mortgage servicing rights valuation, net of economic hedge is shown separately.
(e) Includes amounts reported in corporate services fees.
(f) As of June 30.
(g) Includes nonperforming loans of $.4 billion at June 30, 2015 and $.6 billion at June 30, 2014.
(h) Recorded investment of purchased impaired loans related to acquisitions.

Corporate & Institutional Banking earned $990 million in the first six months of 2015 compared with earnings of $993 million for the same period a year ago. The slight decrease in earnings was due to lower net interest income and an increase in noninterest expense, mostly offset by higher noninterest income and a decrease in the provision for credit losses. We continue to focus on building client relationships where the risk-return profile is attractive, including the Southeast.

Net interest income decreased $129 million in the first six months of 2015 compared to the first six months of 2014. The decline was due to the impact of first quarter 2015 enhancements to internal funds transfer pricing methodology, continued spread compression on loans, and lower purchase accounting accretion, partially offset by the impact of higher average loans and deposits. Decreased net interest income in the comparison also reflected the impact from the second quarter 2014 correction to reclassify certain commercial facility usage fees from net interest income to corporate service fees.

Corporate service fees increased $71 million in the first six months of 2015 compared to the first six months of 2014. This increase was primarily due to the impact of the second quarter 2014 correction to reclassify certain commercial facility fees from net interest income to corporate service fees and increases in treasury management and equity capital markets advisory fees.

Other noninterest income increased $59 million in the first six months of 2015 compared to the first six months of 2014. This increase was driven by higher multifamily loans originated for sale to agencies, higher revenue associated with credit valuations for customer-related derivatives activities and related derivatives sales and higher corporate securities underwriting activity.

The provision for credit losses declined $53 million in the first six months of 2015 compared with the first six months of 2014 reflecting improved credit quality.

Noninterest expense increased $69 million in the first six months of 2015 compared to the prior year period, primarily driven by investments in technology and infrastructure, higher asset writedowns, and expenses related to equity capital markets advisory fees.

Average loans increased $10.3 billion, or 10%, for the first six months of 2015 compared to the first six months of 2014, reflecting solid growth in Corporate Banking, Real Estate, Business Credit and Equipment Finance:

- Corporate Banking business provides lending, treasury management and capital markets-related products and services to midsized and large corporations, government and not-for-profit entities. Average loans for this business increased $5.4 billion, or 10%, in the first six months of 2015 compared with the first six months of 2014, primarily due to an increase in loan commitments from specialty lending businesses and large corporate clients.
- PNC Real Estate provides banking, financing and servicing solutions for commercial real estate clients across the country. Average loans for this business increased $3.4 billion, or 13%, in first six months of 2015 compared with the first six months of 2014 due to increased originations and higher utilization.
- PNC Business Credit provides asset-based lending. The loan portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by short-term assets. Average loans for this business increased $1.5 billion, or 12%, in first six months of 2015 compared with the first six months of 2014 due to new originations, increasing deal sizes and higher utilization.
- PNC Equipment Finance provides equipment financing solutions for clients throughout the U.S. and Canada. Average equipment finance loans and operating leases were $11.8 billion in the first six months of 2015, an increase of $.8 billion, or 7%, compared with the first six months of 2014.

Period-end loan balances increased by 6%, or $6.7 billion, at June 30, 2015 compared to June 30, 2014 primarily due to growth in our Corporate Banking, Real Estate and Business Credit businesses.

Loan commitments increased 5%, or $10.1 billion, to $213.1 billion at June 30, 2015 compared to June 30, 2014, primarily due to growth in our Corporate Banking, Real Estate and Business Credit businesses.

Average deposits for the first six months of 2015 increased $8.1 billion, or 12%, compared with the first six months of 2014 as a result of business growth and inflows into demand and money market deposits.

The commercial loan servicing portfolio increased $83 billion, or 24% at June 30, 2015, compared to June 30, 2014, as servicing additions exceeded portfolio run-off.

Nonperforming assets declined 35% at June 30, 2015 compared to June 30, 2014 reflecting improved credit quality.

Product Revenue

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets-related products and services, and commercial mortgage banking activities, for customers of all business segments. On a consolidated basis, the revenue from these other services is included in net interest income, corporate service fees and other noninterest income. From a segment perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The Other Information section in Table 22 in the Corporate & Institutional Banking portion of this Business Segments Review section includes the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

Treasury management revenue, comprised of fees and net interest income from customer deposit balances, increased $29 million in the comparison of the first six months of 2015 to the first six months of 2014, driven by growth in our commercial card, wholesale lockbox and PINACLE® products.

Capital markets revenue includes merger and acquisition advisory fees, loan syndications, derivatives, foreign exchange, asset-backed finance revenue and fixed income and equity capital markets advisory activities. Revenue from capital markets-related products and services increased $50 million in the first six months of 2015 compared with the first six months of 2014. The increase in the comparison was primarily driven by higher revenue associated with credit valuations for customer-related derivatives activities and related derivatives sales, higher equity capital markets advisory fees and increased corporate securities underwriting activity.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (including net interest income and noninterest income) and revenue derived from commercial mortgage loans held for sale and related hedges. Revenue from total commercial mortgage banking activities increased $33 million in the first six months of 2015 compared with the first six months of 2014. The increase in the comparison was mainly due to higher multifamily loans originated for sale to agencies and higher mortgage servicing revenue.

Asset Management Group

(Unaudited)

Table 23: Asset Management Group Table

Six months ended June 30

Dollars in millions, except as noted	2015	2014
Income Statement		
Net interest income	$ 144	$ 143
Noninterest income	451	406
Total revenue	595	549
Provision for credit losses	13	6
Noninterest expense	425	401
Pretax earnings	157	142
Income taxes	58	52
Earnings	$ 99	$ 90
Average Balance Sheet		
Loans		
Consumer	$ 5,669	$ 5,361
Commercial and commercial real estate	938	1,011
Residential mortgage	878	780
Total loans	7,485	7,152
Goodwill and other intangible assets	234	268
Other assets	255	222
Total assets	$ 7,974	$ 7,642
Deposits		
Noninterest-bearing demand	$ 1,344	$ 1,333
Interest-bearing demand	4,127	3,902
Money market	4,873	3,873
Total transaction deposits	10,344	9,108
CDs/IRAs/savings deposits	456	441
Total deposits	10,800	9,549
Other liabilities	45	50
Total liabilities	$ 10,845	$ 9,599
Performance Ratios		
Return on average assets	2.50%	2.37%
Noninterest income to total revenue	76	74
Efficiency	71	73
Other Information		
Total nonperforming assets (a) (b)	$ 56	$ 76
Purchased impaired loans (a) (c)	$ 77	$ 94
Total net charge-offs	$ 11	$ 3
Client Assets Under Administration (a) (d) (in billions)		
Personal	$ 113	$ 113
Institutional	149	144
Total	$ 262	$ 257
Asset Type		
Equity	$ 152	$ 149
Fixed Income	73	71
Liquidity/Other	37	37
Total	$ 262	$ 257
Discretionary client assets under management		
Personal	$ 86	$ 85
Institutional	48	46
Total	$ 134	$ 131
Asset Type		
Equity	$ 75	$ 73
Fixed Income	41	40
Liquidity/Other	18	18
Total	$ 134	$ 131
Nondiscretionary client assets under administration		

Personal	$	27	$	28
Institutional		101		98
Total	$	128	$	126
Asset Type				
Equity	$	77	$	76
Fixed Income		32		31
Liquidity/Other		19		19
Total	$	128	$	126

(a) As of June 30.
(b) Includes nonperforming loans of $53 million at June 30, 2015 and $72 million at June 30, 2014.
(c) Recorded investment of purchased impaired loans related to acquisitions.
(d) Excludes brokerage account client assets.

Asset Management Group earned $99 million through the first six months of 2015 compared with $90 million in the same period of 2014. Assets under administration were $262 billion as of June 30, 2015 compared to $257 billion as of June 30, 2014. Earnings for the first six months of 2015 increased compared with the first six months of 2014 due to higher noninterest income, including a $30 million trust settlement in the second quarter of 2015, partially offset by higher noninterest expense.

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

Institutional Asset Management provides advisory, custody, and retirement administration services to institutional clients primarily within our banking footprint. The business also offers PNC proprietary mutual funds. Institutional Asset Management is strengthening its partnership with Corporate and Institutional Banking to drive growth and is focused on building retirement capabilities and expanding product solutions for all customers.

Client assets under administration at June 30, 2015 increased $5 billion compared to June 30, 2014. Discretionary client assets under management increased $3 billion in the same comparison, driven by higher equity markets, new sales and positive net flows after adjustments for cyclical client activities.

Total revenue increased $46 million in the first half of 2015 compared with the same period in 2014, primarily relating to noninterest income due to a $30 million trust settlement, stronger average equity markets, and new business.

Noninterest expense increased $24 million, or 6% in the first half of 2015 compared to the prior year period, primarily attributable to higher compensation and technology expenses. Over the last 12 months, total full-time headcount has increased by approximately 63 positions, or 2%. Asset Management Group remains focused on disciplined expense management as it invests in strategic growth opportunities.

Average loan balances for the first half of 2015 increased $.3 billion, or 5%, compared to the prior year period due to continued growth in the consumer loan portfolio.

Average deposits for the first half of 2015 increased $1.3 billion, or 13%, over the prior year period. Average transaction deposits grew $1.2 billion, or 14%, compared with the first half of 2014.

Residential Mortgage Banking

(Unaudited)

Table 24: Residential Mortgage Banking Table

Six months ended June 30

Dollars in millions, except as noted	2015	2014
Income Statement		
Net interest income	$ 60	$ 77
Noninterest income		
Loan servicing revenue		
Servicing fees	94	117
Mortgage servicing rights valuation, net of economic hedge	58	
Loan sales revenue	203	242
Other	(2)	(3)
Total noninterest income	353	356
Total revenue	413	433
Provision for credit losses		
Noninterest expense	339	382
Pretax earnings	74	51
Income taxes	27	19
Earnings	$ 47	$ 32
Average Balance Sheet		
Portfolio loans	$ 1,223	$ 1,888
Loans held for sale	1,127	1,102
Mortgage servicing rights (MSR)	896	1,054
Other assets	3,944	4,084
Total assets	$ 7,190	$ 8,128
Deposits	$ 2,357	$ 2,210
Borrowings and other liabilities	2,636	2,930
Total liabilities	$ 4,993	$ 5,140
Performance Ratios		
Return on average assets	1.32%	.79%
Noninterest income to total revenue	85	82
Efficiency	82	88
Residential Mortgage Servicing Portfolio Serviced for Third Parties (in billions)		
Beginning of period	$ 108	$ 114
Acquisitions	14	2
Additions	4	4
Repayments/transfers	(11)	(9)
End of period	$ 115	$ 111
Servicing portfolio third-party statistics: (a)		
Fixed rate	94%	94%
Adjustable rate/balloon	6%	6%
Weighted-average interest rate	4.35%	4.54%
MSR asset value (in billions)	$ 1.0	$ 1.0
MSR capitalization value (in basis points)	88	87
Weighted-average servicing fee (in basis points)	27	27
Residential Mortgage Repurchase Reserve		
Beginning of period	$ 107	$ 131
(Benefit)/ Provision	2	(17)
Losses loan repurchases	(12)	(13)
End of Period	$ 97	$ 101
Other Information		
Loan origination volume (in billions)	$ 5.5	$ 4.5
Loan sale margin percentage	3.74%	5.01%
Percentage of originations represented by:		
Purchase volume (b)	41%	45%
Refinance volume	59%	55%
Total nonperforming assets (a) (c)	$ 88	$ 160

(a) As of June 30.

(b) Mortgages with borrowers as part of residential real estate purchase transactions.
(c) Includes nonperforming loans of $55 million at June 30, 2015 and $113 million at June 30, 2014.

Residential Mortgage Banking earned $47 million in the first six months of 2015 compared to $32 million in the first six months of 2014. Earnings increased from the prior year as a result of higher net hedging gains on residential mortgage servicing rights and lower noninterest expense, offset by lower loan sales and servicing revenue.

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

Residential Mortgage Banking overview:

- Total loan originations increased $1.0 billion in the first six months of 2015 compared to the same 2014 period. Loans continue to be originated primarily through direct channels under Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal Housing Administration (FHA)/Department of Veterans Affairs agency guidelines. Refinancings were 59% of originations for the first six months of 2015 and 55% in the first six months of 2014. During the first six months of 2015, 14% of loan originations were under the original or revised Home Affordable Refinance Program (HARP or HARP 2).
- Investors having purchased mortgage loans may request PNC to indemnify them against losses on certain loans or to repurchase loans that they believe do not comply with applicable contractual loan origination covenants and representations and warranties we have made. At June 30, 2015, the liability for estimated losses on repurchase and indemnification claims for the Residential Mortgage Banking business segment was $97 million, compared with $101 million at June 30, 2014. See the Recourse And Repurchase Obligations section of this Financial Review and Note 16 Commitments and Guarantees in the Notes To Consolidated Financial Statements of this Report for additional information.
- Residential mortgage loans serviced for others increased $4 billion at June 30, 2015 compared to June 30, 2014. During the first six months of 2015, $14 billion of residential mortgage servicing rights were acquired, compared with $2 billion in the comparable period of 2014.
- Noninterest income declined slightly in the first six months of 2015 compared with the prior year period, as increased net hedging gains on residential mortgage servicing rights were more than offset by decreased servicing revenue and loan sales revenue, which reflected the impact from a $17 million benefit from the release of reserves for residential mortgage repurchase obligations in the first six months of 2014.

Net interest income decreased $17 million in the first six months of 2015 compared with the first six months of 2014. This decline was primarily due to lower balances of portfolio loans held for investment.

Noninterest expense declined $43 million in the first six months of 2015 compared with the 2014 period, primarily as a result of lower legal accruals.

BlackRock

(Unaudited)

Table 25: BlackRock Table

Information related to our equity investment in BlackRock follows:

Six months ended June 30

Dollars in millions	2015	2014
Business segment earnings (a)	$ 269	$ 253
PNC s economic interest in BlackRock (b)	22%	22%

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

In billions	June 30 2015	December 31 2014
Carrying value of PNC s investment in BlackRock (c)	$ 6.5	$ 6.3
Market value of PNC s investment in BlackRock (d)	12.2	12.6

(c) PNC accounts for its investment in BlackRock under the equity method of accounting, exclusive of a related deferred tax liability of $2.1 billion at both June 30, 2015 and December 31, 2014. Our voting interest in BlackRock common stock was approximately 21% at June 30, 2015.
(d) Does not include liquidity discount.

In addition to our investment in BlackRock reflected in Table 25, at June 30, 2015, we held approximately 1.3 million shares of BlackRock Series C Preferred Stock valued at $363 million, which are available to fund our obligation in connection with certain BlackRock long-term incentive plan (LTIP) programs. We account for the BlackRock Series C Preferred Stock at fair value, which offsets the impact of marking-to-market the obligation to deliver these shares to BlackRock. The fair value amount of the BlackRock Series C Preferred Stock is included on our Consolidated Balance Sheet in the caption Other assets. Additional information regarding the valuation of the BlackRock Series C Preferred Stock is included in Note 7 Fair Value in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report and in Note 7 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of our 2014 Form 10-K.

Our 2014 Form 10-K includes additional information about our investment in BlackRock.

Non-Strategic Assets Portfolio

(Unaudited)

Table 26: Non-Strategic Assets Portfolio Table

Six months ended June 30

Dollars in millions	2015	2014
Income Statement		
Net interest income	$ 212	$ 279
Noninterest income	18	16
Total revenue	230	295
Provision for credit losses (benefit)	(36)	(91)
Noninterest expense	50	56
Pretax earnings	216	330

Income taxes	79	121
Earnings	$ 137	$ 209
Average Balance Sheet		
Commercial Lending:		
Commercial/Commercial real estate	$ 119	$ 203
Lease financing	627	684
Total commercial lending	746	887
Consumer Lending:		
Home equity	2,937	3,553
Residential real estate	4,103	5,032
Total consumer lending	7,040	8,585
Total portfolio loans	7,786	9,472
Other assets (a)	(692)	(740)
Total assets	$ 7,094	$ 8,732
Deposits and other liabilities	$ 223	$ 229
Total liabilities	$ 223	$ 229
Performance Ratios		
Return on average assets	3.89%	4.83%
Noninterest income to total revenue	8	5
Efficiency	22	19
Other Information		
Nonperforming assets (b) (c)	$ 616	$ 798
Purchased impaired loans (b) (d)	$ 3,663	$ 4,497
Net charge-offs (recoveries)	$ (7)	$ 41
Annualized net charge-off (recoveries) ratio	(.18)%	0.87%
Loans (b)		
Commercial Lending		
Commercial/Commercial real estate	$ 108	$ 176
Lease financing	630	688
Total commercial lending	738	864
Consumer Lending		
Home equity	2,765	3,410
Residential real estate	3,941	4,928
Total consumer lending	6,706	8,338
Total loans	$ 7,444	$ 9,202

(a) Other assets includes deferred taxes, ALLL and other real estate owned (OREO). Other assets were negative in both periods due to the ALLL.
(b) As of June 30.
(c) Includes nonperforming loans of $.5 billion at June 30, 2015 and $.6 billion at June 30, 2014.
(d) Recorded investment of purchased impaired loans related to acquisitions. At June 30, 2015, this segment contained 82% of PNC s purchased impaired loans.

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

Non-Strategic Assets Portfolio had earnings of $137 million in the first six months of 2015 compared with $209 million in the first six months of 2014. Earnings decreased year-over-year due to lower net interest income and a reduced benefit from the provision for credit losses.

Non-Strategic Assets Portfolio overview:

- Net interest income declined $67 million, or 24% in the first six months of 2015 compared with the first six months of 2014, resulting from lower purchase accounting accretion and the impact of the declining average balance of the loan portfolio.
- Provision for credit losses was a benefit in both the first six months of 2015 and 2014, reflecting continued improvements in credit quality.
- Noninterest expense declined $6 million, or 11% in the first six months of 2015 compared with in the first six months of 2014, due to lower costs of managing and servicing the loan portfolios.
- Average portfolio loans declined $1.7 billion, or 18% in the first six months of 2015 compared to the first six months of 2014, due to customer payment activity and portfolio management activities to reduce under-performing assets.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Note 1 Accounting Policies in Item 8 of our 2014 Form 10-K and in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report describe the most significant accounting policies that we use to prepare our consolidated financial statements. Certain of these policies require us to make estimates or economic assumptions that may prove inaccurate or be subject to variations that may significantly affect our reported results and financial position for the period or in future periods.

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

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

We discuss the following critical accounting policies and judgments under this same heading in Item 7 of our 2014 Form 10-K:

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

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

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standard Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU clarifies the principles for recognizing revenue and replaces nearly all existing revenue recognition guidance in U.S. GAAP with one accounting model. The core principle of the guidance is that an entity should recognize revenue to depict the satisfaction of a performance obligation by transfer of promised goods or services to customers. The ASU also requires additional qualitative and quantitative disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB agreed to defer the mandatory effective date of the ASU for one year, to annual reporting periods beginning after December 15, 2017. The requirements within ASU 2014-09 should be applied retrospectively to each prior period presented (with several practical expedients for certain completed contracts) or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. We are currently evaluating the impact of this ASU on our results of operations and financial position.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis*. All legal entities are subject to re-evaluation under this ASU, including investment companies and certain other entities measured in a manner consistent with ASC 946 Financial Services Investment Companies which were previously excluded. The ASU will change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. Specifically, the ASU modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; eliminates the presumption that a general partner should consolidate a limited partnership; potentially changes the consolidation conclusions of reporting entities that are involved with VIEs, in particular those that have fee arrangements and related party arrangements, and provides a scope exception for reporting entities with interests held in certain money market funds. The ASU is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 and may be applied through a retrospective or modified retrospective approach. We are currently evaluating the impact of this ASU on our results of operations and financial position.

Recently Adopted Accounting Standards

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Part I, Item I of this Report regarding the impact of new accounting pronouncements adopted in 2015.

STATUS OF QUALIFIED DEFINED BENEFIT PENSION PLAN

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

We currently estimate pretax pension expense of $9 million in 2015 compared with pretax income of $7 million in 2014. This year-over-year expected increase in expense reflects the effects of the lower expected return on asset assumption, improved mortality, and the lower discount rate required to be used in 2015. These factors are partially offset by the favorable impact of the increase in plan assets at December 31, 2014 and the assumed return on a $200 million voluntary contribution to the plan made in February 2015.

The table below reflects the estimated effects on pension expense of certain changes in annual assumptions, using 2015 estimated expense as a baseline.

Table 27: Pension Expense Sensitivity Analysis

Change in Assumption (a)	Estimated Increase/(Decrease) to 2015 Pension Expense (In millions)
.5% decrease in discount rate	$ 18
.5% decrease in expected long-term return on assets	$ 22

.5% increase in compensation rate	$	2

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

We provide additional information on our pension plan in Note 13 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of our 2014 Form 10-K.

RECOURSE AND REPURCHASE OBLIGATIONS

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

Commercial Mortgage Loan Recourse Obligations

We originate and service certain multi-family commercial mortgage loans which are sold to FNMA under FNMA s Delegated Underwriting and Servicing (DUS) program. We participated in a similar program with the FHLMC. Our exposure and activity associated with these recourse obligations are reported in the Corporate & Institutional Banking segment. For more information regarding our Commercial Mortgage Loan Recourse Obligations, see the Recourse and Repurchase Obligations section of Note 16 Commitments and Guarantees included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Residential Mortgage Repurchase Obligations

While residential mortgage loans are sold on a non-recourse basis, we assume certain loan repurchase obligations associated with mortgage loans we have sold to investors. These loan repurchase obligations primarily relate to situations where PNC is alleged to have breached certain origination covenants and representations and warranties made to purchasers of the loans in the respective purchase and sale agreements. Residential mortgage loans covered by these loan repurchase obligations include first and second-lien mortgage loans we have sold through Agency securitizations, Non-Agency securitizations, and loan sale transactions. As discussed in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our 2014 Form 10-K, Agency securitizations consist of mortgage loan sale transactions with FNMA, FHLMC and the Government National Mortgage Association (GNMA), while Non-Agency securitizations consist of mortgage loan sale transactions with private investors. Mortgage loan sale transactions that are not part of a securitization may involve FNMA, FHLMC or private investors. Our historical exposure and activity associated with Agency securitization repurchase obligations has primarily been related to transactions with FNMA and FHLMC, as indemnification and repurchase losses associated with FHA and VA-insured and uninsured loans pooled in GNMA securitizations historically have been minimal. In addition to indemnification and repurchase risk, we face other risks of loss with respect to our participation in these programs, some

of which are described in Note 15 Legal Proceedings in the Notes To Consolidated Financial Statements in Part I, Item 1

of this Report with respect to governmental inquiries related to FHA-insured loans. Repurchase obligation activity associated with residential mortgages is reported in the Residential Mortgage Banking segment.

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

We previously reached agreements with both FNMA and FHLMC to resolve their repurchase claims with respect to loans sold between 2000 and 2008. Thus, our repurchase obligations involve Agency securitizations and other loan sales with FNMA and FHLMC subsequent to 2008 only, as well as Agency securitizations with GNMA and Non-Agency securitizations and other loan sales with private investors. The unpaid principal balance of loans associated with our exposure to repurchase obligations totaled $66.5 billion at June 30, 2015, of which $1.3 billion was 90 days or more delinquent. The comparative amounts were $68.3 billion and $1.5 billion, respectively, at December 31, 2014.

We believe our indemnification and repurchase liability appropriately reflects the estimated probable losses on indemnification and repurchase claims for all residential mortgage loans sold and outstanding as of June 30, 2015 and December 31, 2014. In making these estimates we consider the losses that we expect to incur over the life of the sold loans. See Note 16 Commitments and Guarantees in this Report for additional information on residential mortgage repurchase obligations.

Home Equity Repurchase Obligations

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

For more information regarding our Home Equity Repurchase Obligations, see the Recourse and Repurchase Obligations section under Item 7 of our 2014 Form 10-K and Note 16 Commitments and Guarantees included in this Report.

RISK MANAGEMENT

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

The Risk Management section included in Item 7 of our 2014 Form 10-K describes our enterprise risk management framework including risk appetite and strategy, risk culture, risk organization and governance, risk identification and quantification, risk control and limits, and risk monitoring and reporting. Additionally, our 2014 Form 10-K provides an analysis of our key areas of risk, which include but are not limited to credit, operational, compliance, model, liquidity and market. Our use of financial derivatives as part of our overall asset and liability risk management process is also addressed within the Risk Management section.

The following information updates our 2014 Form 10-K risk management disclosures.

Credit Risk Management

As more fully discussed in the Credit Risk Management portion of the Risk Management section in our 2014 Form 10-K, credit risk represents the possibility that a customer, counterparty or issuer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks. Our processes for managing credit risk are embedded in PNC s risk culture and in our decision-making processes using a systematic approach whereby credit risks and related exposures are identified and assessed, managed through specific policies and processes, measured and evaluated against our risk appetite and credit concentration limits, and reported, along with specific mitigation activities, to management and the Board through our governance structure.

Asset Quality Overview

Asset quality trends improved during the first six months of 2015.

- Nonperforming assets at June 30, 2015 decreased $302 million compared with December 31, 2014 as a result of improvements in both consumer and commercial nonperforming loans. Consumer lending nonperforming loans decreased $135 million, commercial real estate nonperforming loans declined $92 million and commercial nonperforming loans decreased $32 million. Nonperforming assets were 0.73% of total assets at June 30, 2015 compared with 0.83% at December 31, 2014.
- Overall loan delinquencies of $1.6 billion decreased $305 million, or 16%, from year-end 2014 levels. The reduction was due in large part to a reduction in accruing government insured residential real estate loans past due 90 days or more of $134 million, the majority of which we took possession of and conveyed the real estate, or are in the process of conveyance and claim resolution.
- Net charge-offs were $67 million in the second quarter of 2015, down 54% from net charge-offs in the same quarter of 2014 of $145 million, due primarily to improved overall credit quality. For the six months ended June 30, 2015, net charge-offs were $170 million, down from $331 million for the six months ending June 30, 2014.
- Provision for credit losses in the second quarter of 2015 decreased to $46 million compared with $72 million in the second quarter of 2014. The smaller provision is attributed to improved overall credit quality. Provision for credit losses for the six months ending June 30, 2015 declined to $100 million compared to $166 million for the six months ending June 30, 2014.
- The level of ALLL remained at $3.3 billion at both June 30, 2015 and December 31, 2014.

Nonperforming Assets and Loan Delinquencies

Nonperforming Assets, including OREO and Foreclosed Assets

Nonperforming assets include nonperforming loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming troubled debt restructurings (TDRs), OREO and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans, purchased impaired loans and loans accounted for under the fair value option are excluded from nonperforming loans. Additional information regarding our nonperforming loans and nonaccrual policies is included in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report. A summary of the major categories of nonperforming assets are presented in Table 28. See Note 3 Asset Quality in the Notes To Consolidated Financial Statements of this Report for further detail of nonperforming asset categories.

Table 28: Nonperforming Assets By Type

Dollars in millions	June 30 2015	December 31 2014
Nonperforming loans		
Commercial lending	$ 503	$ 626
Consumer lending (a)	1,749	1,884
Total nonperforming loans (b) (c)	2,252	2,510
OREO and foreclosed assets	326	370
Total nonperforming assets	$ 2,578	$ 2,880
Amount of TDRs included in nonperforming loans	$ 1,208	$ 1,370
Percentage of total nonperforming loans	54%	55%
Nonperforming loans to total loans	1.10%	1.23%
Nonperforming assets to total loans, OREO and foreclosed assets	1.25	1.40
Nonperforming assets to total assets	.73	.83
Allowance for loan and lease losses to total nonperforming loans (d)	145	133

(a) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.
(c) The recorded investment of loans collateralized by residential real estate property that are in process of foreclosure was $.6 billion and $.8 billion at June 30, 2015 and December 31, 2014.
(d) The allowance for loan and lease losses includes impairment reserves attributable to purchased impaired loans. See Note 1 Accounting Policies and Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

Table 29: Change in Nonperforming Assets

In millions	2015	2014
January 1	$ 2,880	$ 3,457
New nonperforming assets	708	1,277
Charge-offs and valuation adjustments	(253)	(300)
Principal activity, including paydowns and payoffs	(377)	(623)
Asset sales and transfers to loans held for sale	(190)	(297)
Returned to performing status	(190)	(346)
June 30	$ 2,578	$ 3,168

Nonperforming assets decreased $302 million at June 30, 2015 compared to December 31, 2014, as a result of improvements in both consumer and commercial lending. Consumer lending nonperforming loans decreased $135 million, commercial real estate nonperforming loans declined $92 million and commercial nonperforming loans decreased $32 million. As of June 30, 2015, approximately 91% of total nonperforming loans were secured by collateral which lessens reserve requirements and is expected to reduce credit losses in the event of default. As of June 30, 2015, commercial lending nonperforming loans were carried at approximately 64% of their unpaid principal balance, due to charge-offs recorded to

date, before consideration of the ALLL. See Note 3 Asset Quality in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information on these loans.

Within consumer nonperforming loans, residential real estate TDRs comprise 65% of total residential real estate nonperforming loans at June 30, 2015, up from 60% at December 31, 2014. Home equity TDRs comprise 53% of home equity nonperforming loans at June 30, 2015, down from 54% at December 31, 2014. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of both principal and interest payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC and loans to borrowers not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

At June 30, 2015, our largest nonperforming asset was $34 million in the Real Estate, Rental and Leasing Industry and our average nonperforming loans associated with commercial lending was under $1 million. Seven of the ten largest outstanding nonperforming assets are from the commercial lending portfolio and represent 21% and 4% of total commercial lending nonperforming loans and total nonperforming assets, respectively, as of June 30, 2015.

Purchased impaired loans are considered performing, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we accrete interest income over the expected life of the loans. Total nonperforming loans and assets in the tables above are significantly lower than they would have been due to this accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of nonperforming loans to total loans and a higher ratio of ALLL to nonperforming loans. See Note 4 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report, as well as the Credit Risk Management portion of the Risk Management section in our 2014 Form 10-K for additional information, including the accounting treatment, on these loans.

Table 30: OREO and Foreclosed Assets

In millions	June 30 2015	December 31 2014
Other real estate owned (OREO):		
Residential properties	$ 153	$ 183
Residential development properties	38	48
Commercial properties	111	120
Total OREO	302	351
Foreclosed and other assets	24	19
Total OREO and foreclosed assets	$ 326	$ 370

Total OREO and foreclosed assets decreased $44 million during the first six months of 2015 and is 13% of total nonperforming assets at June 30, 2015. As of both June 30, 2015 and December 31, 2014, 62% of our OREO and foreclosed assets were comprised of residential related properties.

Loan Delinquencies

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

Table 31: Accruing Loans Past Due (a) (b)

	Amount		Percentage of Total Outstandings	
Dollars in millions	June 30 2015	December 31 2014	June 30 2015	December 31 2014
Early stage loan delinquencies				
Accruing loans past due 30 to 59 days	$ 492	$ 582	.24%	.28%
Accruing loans past due 60 to 89 days	235	259	.11%	.13%
Total	727	841	.35%	.41%
Late stage loan delinquencies				
Accruing loans past due 90 days or more	914	1,105	.45%	.54%
Total	$ 1,641	$ 1,946	.80%	.95%

(a) Amounts in table represent recorded investment.
(b) Past due loan amounts at June 30, 2015 include government insured or guaranteed loans of $185 million, $119 million, and $817 million for accruing loans past due 30 to 59 days, past due 60 to 89 days, and past due 90 days or more, respectively. The comparative amounts as of December 31, 2014 were $220 million, $136 million, and $996 million, respectively.

Total early stage loan delinquencies (accruing loans past due 30 to 89 days) decreased $114 million, or 14%, at June 30, 2015 compared to December 31, 2014, driven by reductions in both consumer and commercial real estate early stage delinquencies, which more than offset an increase in commercial lending accruing loans past due 30 to 59 days.

Accruing loans past due 90 days or more decreased $191 million, or 17%, at June 30, 2015 compared to December 31, 2014 due to a decline in government insured residential real estate loans of $134 million, the majority of which we took possession of and conveyed the real estate, or are in the process of conveyance and claim resolution. Accruing loans past due 90 days or more are referred to as late stage loan delinquencies. These loans are not included in nonperforming loans and continue to accrue interest because they are well secured by collateral and are in the process of collection, or are managed in homogenous portfolios with specified charge-off timeframes adhering to regulatory guidelines, or are certain government insured or guaranteed loans.

On a regular basis our Special Asset Committee closely monitors loans, primarily commercial loans, that are not included in the nonperforming or accruing past due categories and for which we are uncertain about the borrower s ability to comply with existing repayment terms. These loans totaled $.2 billion at both June 30, 2015 and December 31, 2014.

See Note 1 Accounting Policies and Note 3 Asset Quality in the Notes To Consolidated Financial Statements of this Report for additional information regarding our nonperforming loan and nonaccrual policies and further information on loan delinquencies.

Home Equity Loan Portfolio

Our home equity loan portfolio totaled $33.5 billion as of June 30, 2015, or 16% of the total loan portfolio. Of that total, $19.6 billion, or 58%, was outstanding under primarily variable-rate home equity lines of credit and $13.9 billion, or 42%, consisted of closed-end home equity installment loans. Approximately 5% of the home equity portfolio was purchased credit impaired and 3% of the home equity portfolio was on

nonperforming status as of June 30, 2015.

As of June 30, 2015, we are in an originated first lien position for approximately 52% of the total outstanding portfolio and, where originated as a second lien, we currently hold or service the first lien position for an additional 2% of the portfolio. The remaining 46% of the portfolio was secured by second liens where we do not hold the first lien position. The credit performance of the majority of the home equity portfolio where we are in, hold or service the first lien position, is superior to the portion of the portfolio where we hold the second lien position but do not hold the first lien.

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

June 30, 2015, the following table presents the periods when home equity lines of credit draw periods are scheduled to end.

Table 32: Home Equity Lines of Credit Draw Period End Dates

In millions	Interest Only Product	Principal and Interest Product
Remainder of 2015	**$ 573**	**$ 242**
2016	**1,276**	**413**
2017	**2,270**	**567**
2018	**996**	**772**
2019	**685**	**612**
2020 and thereafter	**3,332**	**5,350**
Total (a) (b)	**$ 9,132**	**$ 7,956**

(a) Includes all home equity lines of credit that mature in the remainder of 2015 or later, including those with borrowers where we have terminated borrowing privileges.

(b) Includes approximately $28 million, $45 million, $52 million, $37 million, $25 million and $537 million of home equity lines of credit with balloon payments, including those where we have terminated borrowing privileges, with draw periods scheduled to end in the remainder of 2015, 2016, 2017, 2018, 2019 and 2020 and thereafter, respectively.

Based upon outstanding balances, and excluding purchased impaired loans, at June 30, 2015, for home equity lines of credit for which the borrower can no longer draw (*e.g.*, draw period has ended or borrowing privileges have been terminated), approximately 3% were 30-89 days past due and approximately 5% were 90 days or more past due. Generally, when a borrower becomes 60 days past due, we terminate borrowing privileges and those privileges are not subsequently reinstated. At that point, we continue our collection/recovery processes, which may include loan modification resulting in a loan that is classified as a TDR.

See the Credit Risk Management portion of the Risk Management section in our 2014 Form 10-K for more information on our home equity loan portfolio.

Loan Modifications and Troubled Debt Restructurings

Consumer Loan Modifications

We modify loans under government and PNC-developed programs based upon our commitment to help eligible homeowners and borrowers avoid foreclosure, where appropriate. Initially, a borrower is evaluated for a modification under a government program. If a borrower does not qualify under a government program, the borrower is then evaluated under a PNC program. Our programs utilize both temporary and permanent modifications and typically reduce the interest rate, extend the term and/or defer principal. Loans that are either temporarily or permanently modified under programs involving a change to loan terms are generally classified as TDRs. Further, loans that have certain types of payment plans and trial payment arrangements which do not include a contractual change to loan terms may be classified as TDRs. Additional detail on TDRs is discussed below as well as in Note 3 Asset Quality in our 2014 Form 10-K.

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

We also monitor the success rates and delinquency status of our loan modification programs to assess their effectiveness in serving our borrowers and servicing customers needs while mitigating credit losses. Table 33 provides the number of bank-owned accounts and unpaid principal balance of modified consumer real estate related loans at the end of each year presented.

Table 33: Consumer Real Estate Related Loan Modifications

	June 30, 2015		December 31, 2014	
Dollars in millions	Number of Accounts	Unpaid Principal Balance	Number of Accounts	Unpaid Principal Balance
Home equity				
Temporary Modifications	4,808	$ 366	5,346	$ 417
Permanent Modifications	14,024	1,013	13,128	968
Total home equity	18,832	1,379	18,474	1,385
Residential Mortgages				
Permanent Modifications	5,640	1,065	5,876	1,110
Non-Prime Mortgages				
Permanent Modifications	4,338	601	4,358	611
Residential Construction				
Permanent Modifications	2,304	605	2,292	629
Total Consumer Real Estate Related Loan Modifications	31,114	$ 3,650	31,000	$ 3,735

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

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

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

Commercial Loan Modifications and Payment Plans

Modifications of terms for commercial loans are based on individual facts and circumstances. Commercial loan modifications may involve reduction of the interest rate, extension of the loan term and/or forgiveness of principal. Modified commercial loans are usually already nonperforming prior to modification. We evaluate these modifications for TDR classification based upon whether we granted a concession to a borrower experiencing financial difficulties. Additional detail on TDRs is discussed below as well as in Note 3 Asset Quality in our 2014 Form 10-K.

We have established certain commercial loan modification and payment programs for small business loans, Small Business Administration loans, and investment real estate loans. As of June 30, 2015 and December 31, 2014, $27 million and $34 million, respectively, in loan balances were covered under these modification and payment plan programs. Of these loan balances, $11 million and $12 million have been determined to be TDRs as of June 30, 2015 and December 31, 2014, respectively.

Troubled Debt Restructurings

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing

financial difficulties. TDRs result from our loss mitigation activities and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC. For the six months ended June 30, 2015, $442 million of Consumer loans held for sale, loans accounted for under the fair value option and pooled purchased impaired loans, as well as certain government insured or guaranteed loans, were excluded from the TDR population. The comparable amount for the six months ended June 30, 2014 was $615 million.

Table 34: Summary of Troubled Debt Restructurings (a)

In millions	June 30 2015	December 31 2014
Consumer lending:		
Real estate-related	$ 1,845	$ 1,864
Credit card	117	130
Other consumer	40	47
Total consumer lending	2,002	2,041
Total commercial lending	414	542
Total TDRs	$ 2,416	$ 2,583
Nonperforming	$ 1,208	$ 1,370
Accruing	1,091	1,083
Credit card	117	130
Total TDRs	$ 2,416	$ 2,583

(a)

Amounts in table represent recorded investment, which includes the unpaid principal balance plus accrued interest and net accounting adjustments, less any charge-offs. Recorded investment does not include any associated valuation allowance.

Total TDRs decreased $167 million, or 6%, during the first six months of 2015. Nonperforming TDRs were approximately 54% of total nonperforming loans, and 50% of total TDRs.

TDRs that are performing, including credit card loans, are excluded from nonperforming loans. These TDRs remained flat during the first six months of 2015 at $1.2 billion. Generally, the accruing category is comprised of loans where borrowers have been performing under the restructured terms for at least six consecutive months. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC and loans to borrowers not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

See Note 3 Asset Quality and the Credit Risk Management portion of the Risk Management section in our 2014 Form 10-K for additional information on loan modifications and TDRs.

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

Table 35: Loan Charge-Offs And Recoveries

Six months ended June 30 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	Percent of Average Loans (annualized)
2015				
Commercial	$ 82	$ 97	$ (15)	(.03)%
Commercial real estate	25	35	(10)	(.08)
Equipment lease financing	1	2	(1)	(.03)
Home equity	102	44	58	.34
Residential real estate	6	6		
Credit card	84	11	73	3.30
Other consumer	92	27	65	.59
Total	$ 392	$ 222	$ 170	.17
2014				
Commercial	$ 171	$ 94	$ 77	.17%
Commercial real estate	32	49	(17)	(.15)
Equipment lease financing	6	6		
Home equity	163	39	124	.70
Residential real estate	15	2	13	.18
Credit card	85	11	74	3.47
Other consumer	92	32	60	.54
Total	$ 564	$ 233	$ 331	.34

Total net charge-offs are lower than they would have been otherwise due to the accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of net charge-offs to average loans. See Note 4 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information on net charge-offs related to these loans.

We maintain an ALLL to absorb losses from the loan and lease portfolio and determine this allowance based on quarterly assessments of the estimated probable credit losses incurred in the loan and lease portfolio. Our total ALLL of $3.3 billion at June 30, 2015 consisted of $1.6 billion and $1.7 billion established for the commercial lending and consumer lending categories, respectively. We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolio as of the balance sheet date. The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan and lease portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions are periodically updated.

We establish specific allowances for loans considered impaired using methods prescribed by GAAP. All impaired loans are subject to individual analysis, except leases and

large groups of smaller-balance homogeneous loans which may include, but are not limited to, credit card, residential real estate secured and consumer installment loans. Specific allowances for individual loans (including commercial and consumer TDRs) are determined based on an analysis of the present value of expected future cash flows from the loans discounted at their effective interest rate, observable market price or the fair value of the underlying collateral.

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

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

The majority of the commercial portfolio is secured by collateral, including loans to asset-based lending customers, which generally demonstrate lower LGD compared to loans

not secured by collateral. Additionally, guarantees on loans greater than $1 million and owner guarantees for small business loans do not significantly impact our ALLL.

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

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

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

Purchased impaired loans are initially recorded at fair value and applicable accounting guidance prohibits the carry over or creation of valuation allowances at acquisition. Because the initial fair values of these loans already reflect a credit component, additional reserves are established when performance is expected to be worse than our expectations as of the acquisition date. At June 30, 2015, we had established reserves of $.9 billion for purchased impaired loans. In addition, loans (purchased impaired and non-impaired) acquired after January 1, 2009 were recorded at fair value. No allowance for loan losses was carried over and no allowance was created at the date of acquisition. See Note 4 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

In determining the appropriateness of the ALLL, we make specific allocations to impaired loans and allocations to portfolios of commercial and consumer loans. We also allocate reserves to provide coverage for probable losses incurred in the portfolio at the balance sheet date based upon current market conditions, which may not be reflected in historical loss data. Commercial lending is the largest category of credits and is sensitive to changes in assumptions and judgments underlying the determination of the ALLL. We have allocated approximately $1.6 billion, or 50%, of the ALLL at June 30, 2015 to the commercial lending category. Consumer lending allocations are made based on historical loss experience adjusted for recent activity. Approximately $1.7 billion, or 50%, of the ALLL at June 30, 2015 has been allocated to these consumer lending categories.

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

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

We refer you to Note 1 Accounting Policies and Note 3 Asset Quality in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report and in our 2014 Form 10-K for further information on certain key asset quality indicators that we use to evaluate our portfolios and establish the allowances.

Table 36: Allowance for Loan and Lease Losses

Dollars in millions	2015	2014
January 1	$ 3,331	$ 3,609
Total net charge-offs	(170)	(331)
Provision for credit losses	100	166
Net change in allowance for unfunded loan commitments and letters of credit	13	10
Other	(2)	(1)
June 30	$ 3,272	$ 3,453
Net charge-offs to average loans (for the six months ended) (annualized)	.17%	.34%
Total allowance for loan and lease losses to total loans	1.59	1.72
Commercial lending net (charge-offs) / recoveries	$ 26	$ (60)
Consumer lending net charge-offs	(196)	(271)

Total net charge-offs	$ (170)	$ (331)
Net charge-offs (recoveries) to average loans (for the six months ended) (annualized)		
Commercial lending	(.04)%	.10%
Consumer lending	.53	.71

The provision for credit losses totaled $100 million for the first six months of 2015 compared to $166 million for the first six months of 2014. The primary driver of the decrease to the provision was improved overall credit quality. For the first six months of 2015, the provision for commercial lending credit losses decreased by $88 million, or 81%, from the first six months of 2014. The provision for consumer lending credit losses increased $22 million, or 38%, from the first six months of 2014.

At June 30, 2015, total ALLL to total nonperforming loans was 145%. The comparable amount for December 31, 2014 was 133%. These ratios are 94% and 85%, respectively, when excluding the $1.2 billion of ALLL at both June 30, 2015 and December 31, 2014 allocated to consumer loans and lines of credit not secured by residential real estate and purchased impaired loans. We have excluded consumer loans and lines

of credit not secured by real estate as they are charged off after 120 to 180 days past due and not placed on nonperforming status. Additionally, we have excluded purchased impaired loans as they are considered performing regardless of their delinquency status as interest is accreted in accordance with ASC 310-30 based on the recorded investment balance. See Table 28 within this Credit Risk Management section for additional information.

The ALLL balance increases or decreases across periods in relation to fluctuating risk factors, including asset quality trends, net charge-offs and changes in aggregate portfolio balances. During the first six months of 2015, improving asset quality trends, including, but not limited to, delinquency status and improving economic conditions, as well as reduced net charge-offs and overall portfolio growth combined to result in the ALLL remaining essentially flat at June 30, 2015 compared to December 31, 2014.

See Note 1 Accounting Policies and Note 4 Purchased Loans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report regarding changes in the ALLL and in the allowance for unfunded loan commitments and letters of credit. See also the Purchase Accounting Accretion and Valuation of Purchased Impaired Loans portion of the Consolidated Balance Sheet Review section of this Financial Review for additional information on our ALLL related to purchased impaired loans.

Liquidity Risk Management

Liquidity risk, including our liquidity monitoring measures and tools, is described in further detail in the Liquidity Risk Management section of our 2014 Form 10-K.

PNC also monitors its liquidity by reference to the LCR, a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of liquidity to meet net liquidity needs over the course of a 30-day stress scenario. The LCR is calculated by dividing the amount of an institution s high quality, unencumbered liquid assets (HQLA), as defined and calculated in accordance with the haircuts and limitations of the LCR rules, by its estimated net cash outflow, with net cash outflows determined by applying assumed outflow factors in the LCR rules. The resulting quotient is expressed as a percentage. For PNC and PNC Bank, the LCR became effective January 1, 2015. The minimum required LCR will be phased-in over a period of years. For 2015, PNC and PNC Bank are required to calculate the LCR on a month-end basis and the minimum LCR that PNC and PNC Bank are required to maintain is 80 percent. Effective July 1, 2016, PNC and PNC Bank must begin calculating their respective LCR ratios on a daily basis.

As of June 30, 2015, the LCR for PNC and PNC Bank exceeded 100 percent. The June 30, 2015 LCR calculation and the underlying components are based on PNC s current interpretation and understanding of the final LCR rules and are subject to, among other things, further regulatory guidance.

We provide additional information regarding regulatory liquidity requirements and their potential impact on PNC in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2014 Form 10-K.

Bank Level Liquidity Uses

At the bank level, primary contractual obligations include funding loan commitments, satisfying deposit withdrawal requests and maturities and debt service related to bank borrowings. As of June 30, 2015, there were approximately $8.1 billion of bank borrowings with contractual maturities of less than one year. We also maintain adequate bank liquidity to meet future potential loan demand and provide for other business needs, as necessary.

Bank Level Liquidity Sources

Our largest source of bank liquidity on a consolidated basis is the deposit base generated by our retail and commercial banking businesses. Total deposits increased to $239.7 billion at June 30, 2015 from $232.2 billion at December 31, 2014, driven primarily by higher money market deposits. Assets determined by PNC to be liquid (liquid assets) and unused borrowing capacity from a number of sources are also available to maintain our liquidity position. Borrowed funds come from a diverse mix of short-term and long-term funding sources.

At June 30, 2015, our liquid assets consisted of short-term investments (Federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $38.3 billion and securities available for sale totaling $47.7 billion. The level of liquid assets fluctuates over time based on many factors, including market conditions, loan and deposit growth and balance sheet management activities. Of our total liquid assets of $86.0 billion, we had $4.0 billion of securities available for sale and trading securities pledged as collateral to secure public and trust deposits, repurchase agreements and for other purposes. In addition to the liquid assets we pledged, $6.1 billion of securities held to maturity were also pledged as collateral for these purposes.

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

Under the 2014 bank note program, PNC Bank may from time to time offer unsecured senior and subordinated notes due more than nine months from their date of issue (in the case of senior notes) and due five years or more from their date of issue (in the case of subordinated notes). On May 22, 2015, PNC Bank increased the capacity of this program by $5.0 billion to a maximum aggregate principal amount at any one time outstanding of $30.0 billion. The $30.0 billion of notes authorized to be issued and outstanding at any one time includes notes issued by PNC Bank under the 2004 bank note program and those notes PNC Bank has assumed through the acquisition of other banks, in each case for so long as such notes remain outstanding. The terms of the 2014 bank note program do not affect any of the bank notes issued prior to January 16, 2014. At June 30, 2015, PNC Bank had $20.8 billion of notes outstanding under this program. The following table details all issuances through June 30, 2015:

Table 37: PNC Bank Bank Notes Issued During 2015

Issuance Date	Amount	Description of Issuance
February 6, 2015	$ 600 million	Floating rate senior notes issued to an affiliate with a maturity date of January 26, 2017. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .30%, on January 26, April 26, July 26 and October 26 of each year, beginning on April 26, 2015.
February 23, 2015	$ 750 million	Senior notes with a maturity date of February 23, 2025. Interest is payable semi-annually at a fixed rate of 2.950% on February 23 and August 23 of each year, beginning on August 23, 2015.
February 23, 2015	$1.0 billion	Senior notes with a maturity date of February 23, 2018. Interest is payable semi-annually at a fixed rate of 1.500% on February 23 and August 23 of each year, beginning on August 23, 2015.
May 27, 2015	$ 200 million	Floating rate senior notes with a maturity date of May 27, 2021. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .65%, on February 27, May 27, August 27 and November 27 of each year, beginning on August 27, 2015.
June 1, 2015	$ 550 million	Floating rate senior notes with a maturity date of June 1, 2018. Interest is payable at the 3-month LIBOR rate, reset quarterly, plus a spread of .42%, on March 1, June 1, September 1 and December 1 of each year, beginning on September 1, 2015.
June 1, 2015	$1.3 billion	Senior notes with a maturity date of June 1, 2018. Interest is payable semi-annually at a fixed rate of 1.600% on June 1 and December 1 of each year, beginning on December 1, 2015.
June 1, 2015	$ 750 million	Senior notes with a maturity date of June 1, 2020. Interest is payable semi-annually at a fixed rate of 2.300% on June 1 and December 1 of each year, beginning on December 1, 2015.
June 1, 2015	$ 400 million	Senior notes with a maturity date of June 1, 2025. Interest is payable semi-annually at a fixed rate of 3.250% on June 1 and December 1 of each year, beginning on December 1, 2015.

Total senior and subordinated debt of PNC Bank increased to $22.3 billion at June 30, 2015 from $17.5 billion at December 31, 2014 due to the following activity in the period.

Table 38: PNC Bank Senior and Subordinated Debt

In billions	2015
January 1	$ 17.5
Issuances	5.5
Calls and maturities	(.7)
June 30	$ 22.3

See Note 18 Subsequent Events in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for information on two $750 million issuances of senior notes on July 21, 2015.

PNC Bank is a member of the FHLB-Pittsburgh and, as such, has access to advances from FHLB-Pittsburgh secured generally by residential mortgage loans, other mortgage-related loans and commercial mortgage-backed securities. At June 30, 2015, our unused secured borrowing capacity was

$14.3 billion with FHLB-Pittsburgh. Total FHLB borrowings increased to $22.2 billion at June 30, 2015 from $20.0 billion at December 31, 2014 due to the following activity in the period.

Table 39: FHLB Borrowings

In billions	2015
January 1	$ 20.0
Issuances	2.2
June 30	$ 22.2

The FHLB-Pittsburgh also periodically provides standby letters of credit on behalf of PNC Bank to secure certain public deposits. PNC Bank began using standby letters of credit issued by the FHLB-Pittsburgh for these purposes in response to the regulatory liquidity standards finalized during 2014. If the FHLB-Pittsburgh is required to make payment for a beneficiary s draw, the payment amount is converted into a collateralized advance to PNC Bank. At June 30, 2015 standby letters of credit issued on our behalf by the FHLB-Pittsburgh totaled $6.0 billion.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of June 30, 2015, there was $3.0 billion outstanding under this program.

PNC Bank can also borrow from the Federal Reserve Bank discount window to meet short-term liquidity requirements. The Federal Reserve Bank, however, is not viewed as the primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. These potential borrowings are secured by commercial loans. At June 30, 2015, our unused secured borrowing capacity was $15.3 billion with the Federal Reserve Bank.

Parent Company Liquidity

As of June 30, 2015, available parent company liquidity totaled $5.6 billion. Parent company liquidity is primarily held in short-term investments, the terms of which provide for the availability of cash in 31 days or less. Investments with longer durations may also be acquired, but if so, the related maturities are aligned with scheduled cash needs, such as the maturity of parent company debt obligations.

Parent Company Liquidity   Uses

The parent company s contractual obligations consist primarily of debt service related to parent company borrowings and funding non-bank affiliates. As of June 30, 2015, there were approximately $1.1 billion of parent company borrowings with contractual maturities of less than one year. Additionally, the parent company maintains adequate liquidity to fund discretionary activities such as paying dividends to PNC shareholders, share repurchases, and acquisitions.

See Balance Sheet, Liquidity and Capital Highlights in the Executive Summary section of this Financial Review for information on our 2015 capital plan that was accepted by the Federal Reserve. Our capital plan included a recommendation to increase the quarterly common stock dividend in the second quarter of 2015 and the ability to redeem the Series K Preferred Stock, as further described below, and also included share repurchase programs of up to $2.875 billion for the five quarter period beginning in the second quarter of 2015. See the Capital portion of the Consolidated Balance Sheet Review in this Financial Review for more information on our share repurchase programs, including detail on our first quarter repurchase of 4.4 million common shares for $.4 billion and our second quarter repurchase of 5.9 million common shares for $.6 billion.

On April 2, 2015, consistent with our 2015 capital plan, our Board of Directors approved an increase to PNC s quarterly common stock dividend from 48 cents per common share to 51 cents per common share beginning with the May 5, 2015 dividend payment.

On May 4, 2015, we redeemed $500 million of PNC s Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series K, as well as all Depositary Shares representing interests therein. Each Depositary Share represented a 1/10 interest in a share of the Series K Preferred Stock. All 50,000 shares of Series K Preferred Stock, as well as all 500,000 Depositary Shares representing interests therein, were redeemed. The redemption price was $10,000 per share of Series K Preferred Stock equivalent to $1,000 per Depositary Share, plus declared and unpaid dividends up to but excluding the redemption date.

See the Supervision and Regulation section of Item 1 Business in our 2014 Form 10-K for additional information regarding the Federal Reserve s CCAR process and the factors the Federal Reserve takes into consideration in evaluating capital plans, qualitative and quantitative liquidity risk management standards proposed by the U.S. banking agencies, and final rules issued by the Federal Reserve that make certain modifications to the Federal Reserve s capital planning and stress testing rules.

See Table 37 for information on an affiliate purchase of notes issued by PNC Bank during 2015.

Parent Company Liquidity   Sources

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

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

There are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank to the parent company without prior regulatory approval was approximately $1.5 billion at June 30, 2015. See Note 20 Regulatory Matters in our 2014 Form 10-K for a further discussion of these limitations. We provide additional information on certain contractual restrictions in Note 12 Capital Securities of a

Subsidiary Trust and Perpetual Trust Securities in our 2014 Form 10-K.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments.

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

Total parent company senior and subordinated debt and hybrid capital instruments decreased to $8.6 billion at June 30, 2015 from $10.1 billion at December 31, 2014 due to the following activity in the period.

Table 40: Parent Company Senior and Subordinated Debt and Hybrid Capital Instruments

In billions	2015
January 1	$ 10.1
Maturities	(1.4)
Other	(.1)
June 30	$ 8.6

The parent company has the ability to offer up to $5.0 billion of commercial paper to provide additional liquidity. As of June 30, 2015, there were no issuances outstanding under this program.

Status of Credit Ratings

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

In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current legislative and regulatory environment, including implied government support. In addition, rating agencies themselves have been subject to scrutiny arising from the most recent financial crisis and could make or be required to make substantial changes to their ratings policies and practices, particularly in response to legislative and regulatory changes. Potential changes in the legislative and regulatory environment and the timing of those

changes could impact our ratings, which as noted above, could impact our liquidity and financial condition. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect liquidity and financial condition.

In March 2015, Moody s Investors Service (Moody s) published a new bank ratings methodology which has been implemented on a global basis and includes assessment of expected loss ratings on instruments ranging from bank deposits to preferred stock. In the second quarter of 2015, Moody s concluded its review for PNC and PNC Bank under this new methodology. As a result, Moody s upgraded PNC Bank s long-term deposit rating three notches to Aa2, confirmed PNC Bank s senior debt and issuer ratings at A2, and confirmed PNC Bank s Prime-1 short-term notes rating. The Moody s rating outlook for PNC and PNC Bank is stable.

Table 41: Credit Ratings as of June 30, 2015 for PNC and PNC Bank

	Moody s	Standard & Poor s	Fitch
PNC			
Senior debt	A3	A-	A+
Subordinated debt	A3	BBB+	A
Preferred stock	Baa2	BBB-	BBB-
PNC Bank			
Senior debt	A2	A	A+
Subordinated debt	A3	A-	A
Long-term deposits	Aa2	A	AA-
Short-term deposits	P-1	A-1	F1+
Short-term notes	P-1	A-1	F1

Commitments

The following tables set forth contractual obligations and various other commitments as of June 30, 2015 representing required and potential cash outflows.

Table 42: Contractual Obligations

		Payment Due By Period			
June 30, 2015 in millions	Total	Less than one year	One to three years	Four to five years	After five years
Remaining contractual maturities of time deposits (a)	$ 20,590	$ 14,807	$ 2,003	$ 955	$ 2,825
Borrowed funds (a) (b)	58,276	13,263	21,617	14,079	9,317
Minimum annual rentals on noncancellable leases	2,723	379	646	490	1,208
Nonqualified pension and postretirement benefits	519	56	109	108	246
Purchase obligations (c)	647	416	136	71	24
Total contractual cash obligations	$ 82,755	$ 28,921	$ 24,511	$ 15,703	$ 13,620

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

At June 30, 2015, we had unrecognized tax benefits of $80 million, which represents a reserve for tax positions that we have taken in our tax returns which ultimately may not be sustained upon examination by taxing authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimate has been excluded from the contractual obligations table. See Note 14 Income Taxes in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information.

Our contractual obligations totaled $82.0 billion at December 31, 2014. The slight increase in the comparison is primarily attributable to an increase in borrowed funds offset by a decrease in time deposits. See Funding Sources in the Consolidated Balance Sheet Review section of this Financial Review for additional information regarding our funding sources.

Table 43: Other Commitments (a)

		Amount Of Commitment Expiration By Period			
June 30, 2015 in millions	Total Amounts Committed	Less than one year	One to three years	Four to five years	After five years
Commitments to extend credit (b)	$ 138,242	$ 52,622	$ 47,142	$ 37,633	$ 845
Net outstanding standby letters of credit (c)	9,509	4,361	4,053	1,094	1
Reinsurance agreements (d)	2,118	10	18	30	2,060
Standby bond purchase agreements	959	306	653		
Other commitments (e)	964	764	166	33	1
Total commitments	$ 151,792	$ 58,063	$ 52,032	$ 38,790	$ 2,907

(a) Other commitments are funding commitments that could potentially require performance in the event of demands by third parties or contingent events. Loan commitments are reported net of syndications, assignments and participations.
(b) Commitments to extend credit, or net unfunded loan commitments, represent arrangements to lend funds or provide liquidity subject to specified contractual conditions.
(c) Includes $5.2 billion of standby letters of credit that support remarketing programs for customers variable rate demand notes.
(d) Reinsurance agreements are with third-party insurers related to insurance sold to or placed on behalf of our customers. Balances represent estimates based on availability of financial information.
(e) Includes other commitments of $283 million that were not on our Consolidated Balance Sheet. The remaining $681 million of other commitments were included in Other liabilities on our Consolidated Balance Sheet.

Our total commitments were $154.9 billion at December 31, 2014. The decrease in the comparison is primarily due to the decline in reinsurance agreements driven by the programs being in run-off. See Note 16 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information related to our commitments.

Market Risk Management

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

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

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

Market Risk Management Interest Rate Risk

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

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

Sensitivity results and market interest rate benchmarks for the second quarters of 2015 and 2014 follow:

Table 44: Interest Sensitivity Analysis

	Second Quarter 2015	Second Quarter 2014
Net Interest Income Sensitivity Simulation (a)		
Effect on net interest income in first year from gradual interest rate change over following 12 months of:		
100 basis point increase	1.7%	2.0%
100 basis point decrease	(.5)%	(.9)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	5.7%	6.8%
100 basis point decrease	(4.6)%	(4.6)%
Duration of Equity Model (a)		
Base case duration of equity (in years)	(3.5)	(2.7)
Key Period-End Interest Rates		
One-month LIBOR	.19%	.16%
Three-year swap	1.25%	1.00%

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

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. Table 45 reflects the percentage change in net interest income over the next two 12-month periods assuming (i) the PNC Economist s most likely rate forecast, (ii) implied market forward rates and (iii) Yield Curve Slope Flattening (a 100 basis point yield curve slope flattening between 1-month and ten-year rates superimposed on current base rates) scenario.

Table 45: Net Interest Income Sensitivity to Alternative Rate Scenarios (Second Quarter 2015)

	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	2.9%	1.1%	(.8)%
Second year sensitivity	7.0%	4.5%	(4.1)%

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

When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business and the behavior of existing on- and off-balance sheet positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in Tables 44 and 45 above.

These simulations assume that as assets and liabilities mature, they are replaced or repriced at then current market rates. We also consider forward projections of purchase accounting accretion when forecasting net interest income.

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

Table 46: Alternate Interest Rate Scenarios: One Year Forward

The second quarter 2015 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

Market Risk Management   Customer-Related Trading Risk

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

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

During the first six months of 2015, our 95% VaR ranged between $1.4 million and $3.6 million, averaging $2.1 million. During the first six months of 2014, our 95% VaR ranged between $1.4 million and $3.9 million, averaging $3.1 million.

To help ensure the integrity of the models used to calculate VaR for each portfolio and enterprise-wide, we use a process known as backtesting. The backtesting process consists of comparing actual observations of gains or losses against the

VaR levels that were calculated at the close of the prior day. This assumes that market exposures remain constant throughout the day and that recent historical market variability is a good predictor of future variability. Our customer-related trading activity includes customer revenue and intraday hedging which helps to reduce losses, and may reduce the number of instances of actual losses exceeding the prior day VaR measure. There were three such instances during the first six months of 2015 where actual losses exceeded the prior day VaR measure under our diversified VaR measure. In comparison, there were no such instances during the first six months of 2014. We use a 500 day look back period for backtesting and include customer-related revenue.

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

Table 47: Enterprise-Wide Gains/Losses Versus Value-at-Risk

Customer-related trading revenue increased to $102 million for the first six months of 2015 compared with $84 million for the first six months of 2014. This increase was primarily due to market interest rate changes impacting credit valuations for customer-related derivatives activities and improved derivatives client sales revenues, which were partially offset by reduced client related trading results.

Customer-related trading revenue increased to $53 million for the second quarter of 2015 compared with $44 million for the second quarter of 2014. This increase was primarily due to market interest rate changes impacting credit valuations for customer-related derivatives activities.

Market Risk Management   Equity And Other

Investment Risk

Equity investment risk is the risk of potential losses associated with investing in both private and public equity markets. In addition to extending credit, taking deposits, and underwriting and trading financial instruments, we make and manage direct investments in a variety of transactions, including management buyouts, recapitalizations, and growth financings in a variety of industries. We also have investments in

affiliated and non-affiliated funds that make similar investments in private equity and in debt and equity-oriented hedge funds. The economic and/or book value of these investments and other assets such as loan servicing rights are directly affected by changes in market factors.

The primary risk measurement for equity and other investments is economic capital. Economic capital is a common measure of risk for credit, market and operational risk. It is an estimate of the potential value depreciation over a one year horizon commensurate with solvency expectations of an institution rated single-A by the credit rating agencies. Given the illiquid nature of many of these types of investments, it can be a challenge to determine their fair values. See Note 7 Fair Value in the Notes To Consolidated Financial Statements in this Report and Note 7 Fair Value in our 2014 Form 10-K for additional information.

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

A summary of our equity investments follows:

Table 48: Equity Investments Summary

	June 30	December 31
In millions	2015	2014
BlackRock	$ 6,397	$ 6,265
Tax credit investments	2,312	2,616
Private equity	1,611	1,615
Visa	54	77
Other	157	155
Total	$ 10,531	$ 10,728

<u>BlackRock</u>

PNC owned approximately 35 million common stock equivalent shares of BlackRock equity at June 30, 2015, accounted for under the equity method. The primary risk measurement, similar to other equity investments, is economic capital. The Business Segments Review section of this Financial Review includes additional information about BlackRock.

Tax Credit Investments

Included in our equity investments are direct tax credit investments and equity investments held by consolidated partnerships which totaled $2.3 billion at June 30, 2015 and $2.6 billion at December 31, 2014. These equity investment balances include unfunded commitments totaling $611 million and $717 million at June 30, 2015 and December 31, 2014, respectively. These unfunded commitments are included in Other Liabilities on our Consolidated Balance Sheet.

Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial

Statements in Part I, Item 1 of this Report has further information on Tax Credit Investments.

Private Equity

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

Private equity investments carried at estimated fair value totaled $1.6 billion at both June 30, 2015 and December 31, 2014. As of June 30, 2015, $1.2 billion was invested directly in a variety of companies and $.4 billion was invested indirectly through various private equity funds. Included in direct investments are investment activities of two private equity funds that are consolidated for financial reporting purposes. The noncontrolling interests of these funds totaled $182 million as of June 30, 2015. The interests held in indirect private equity funds are not redeemable, but PNC may receive distributions over the life of the partnership from liquidation of the underlying investments. See Item 1 Business Supervision and Regulation and Item 1A Risk Factors included in our 2014 Form 10-K for discussion of the potential impacts of the Volcker Rule provisions of Dodd-Frank on our interests in and sponsorship of private funds covered by the Volcker Rule.

Our unfunded commitments related to private equity totaled $144 million at June 30, 2015 compared with $140 million at December 31, 2014.

Visa

Our 2014 Form 10-K includes information regarding the October 2007 Visa restructuring, our involvement with judgment and loss sharing agreements with Visa and certain other banks, the status of pending interchange litigation, the sales of portions of our Visa Class B common shares and the related swap agreements with the purchaser.

During the first six months of 2015, we sold 1 million Visa Class B common shares, in addition to the 16.5 million shares sold in previous years. We have entered into swap agreements with the purchaser of the shares as part of these sales. At June 30, 2015, our investment in Visa Class B common shares totaled approximately 6 million shares and had a carrying value of $54 million. Based on the June 30, 2015 closing price of $67.15 for the Visa Class A common shares, the fair value of our total investment was approximately $649 million at the current conversion rate. The Visa Class B common shares that we own are transferable only under limited circumstances until they can be converted into shares of the publicly traded class of stock, which cannot happen until the settlement of all of the specified litigation.

Other Investments

We also make investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. The economic values could be driven by either the fixed-income market or the equity markets, or both. At June 30, 2015 other investments totaled $157 million compared with $155 million at December 31, 2014. Net gains related to these investments were not significant for the first six months of 2015 and 2014.

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

Our unfunded commitments related to other investments at June 30, 2015 and December 31, 2014 were not significant.

Financial Derivatives

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

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

Further information on our financial derivatives is presented in Note 1 Accounting Policies and Note 7 Fair Value in our Notes To Consolidated Financial Statements under Item 8 of our 2014 Form 10-K and in Note 7 Fair Value and Note 11 Financial Derivatives in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report, which is incorporated here by reference.

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

The following table summarizes the notional or contractual amounts and net fair value of financial derivatives at June 30, 2015 and December 31, 2014.

Table 49: Financial Derivatives Summary

	June 30, 2015		December 31, 2014	
In millions	Notional/ Contractual Amount	Net Fair Value (a)	Notional/ Contractual Amount	Net Fair Value (a)
Derivatives designated as hedging instruments under GAAP				
Total derivatives designated as hedging instruments	$ 53,342	$ 947	$ 49,061	$ 1,075
Derivatives not designated as hedging instruments under GAAP				
Total derivatives used for residential mortgage banking activities	$ 100,773	$ 357	$ 76,102	$ 409
Total derivatives used for commercial mortgage banking activities	25,756	17	26,290	26
Total derivatives used for customer-related activities	187,110	171	183,474	122
Total derivatives used for other risk management activities	4,568	(468)	5,390	(425)
Total derivatives not designated as hedging instruments	$ 318,207	$ 77	$ 291,256	$ 132
Total Derivatives	$ 371,549	$ 1,024	$ 340,317	$ 1,207

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

Internal Controls And Disclosure Controls And Procedures

As of June 30, 2015, we performed an evaluation under the supervision of and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934) were effective as of June 30, 2015, and that there has been no change in PNC s internal control over financial reporting that occurred during the second quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Glossary Of Terms

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

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

Annualized Adjusted to reflect a full year of activity.

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

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

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

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

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

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

Basis point   One hundredth of a percentage point.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Efficiency   Noninterest expense divided by total revenue.

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

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

Fee income   When referring to the components of Noninterest income, we use the term fee income to refer to the following categories within Noninterest income: Asset management; Consumer services; Corporate services; Residential mortgage; and Service charges on deposits.

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

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

Funds transfer pricing A management accounting methodology designed to recognize the net interest income effects of sources and uses of funds provided by the assets and liabilities of a business segment. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors.

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

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

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

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

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

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

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

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

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

Loan-to-value ratio (LTV)   A calculation of a loan s collateral coverage that is used both in underwriting and assessing credit risk in our lending portfolio. LTV is the sum total of loan obligations secured by collateral divided by the market value of that same collateral. Market values of the collateral are based on an independent valuation of the

collateral. For example, a LTV of less than 90% is better secured and has less credit risk than a LTV of greater than or equal to 90%.

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

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

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

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

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

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

Nonperforming loans Loans accounted for at amortized cost for which we do not accrue interest income. Nonperforming loans include loans to commercial, commercial real estate, equipment lease financing, home equity, residential real estate, credit card and other consumer customers as well as TDRs which have not returned to performing status. Nonperforming loans exclude certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest, loans held for sale, loans accounted for under the fair value option and purchased impaired loans. Nonperforming loans exclude purchased impaired loans as we are currently accreting interest income over the expected life of the loans.

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

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

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

Other real estate owned (OREO) and foreclosed assets Assets taken in settlement of troubled loans primarily through deed-in-lieu of foreclosure or foreclosure. Foreclosed assets include real and personal property, equity interests in corporations, partnerships, and limited liability companies. Excludes certain assets that have a government-guarantee which are classified as other receivables.

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

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

Pretax earnings Income before income taxes and noncontrolling interests.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Securitization The process of legally transforming financial assets into securities.

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

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

Taxable-equivalent interest The interest income earned on certain assets is completely or partially exempt from Federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of yields and margins for all interest-earning assets, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margins by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on other taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement.

Total equity Total shareholders equity plus noncontrolling interests.

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

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

Transitional Basel III common equity Common equity calculated under Basel III using phased in definitions and deductions applicable to PNC during the applicable presentation period.

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

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:

Changes in interest rates and valuations in debt, equity and other financial markets.

Disruptions in the U.S. and global financial markets.

The impact on financial markets and the economy of any changes in the credit ratings of U.S. Treasury obligations and other U.S. government-backed debt, as well as issues surrounding the levels of U.S. and European government debt and concerns regarding the creditworthiness of certain sovereign governments, supranationals and financial institutions in Europe.

Actions by the Federal Reserve, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.

Changes in customers , suppliers and other counterparties performance and creditworthiness.

Slowing or reversal of the current U.S. economic expansion.

Continued residual effects of recessionary conditions and uneven spread of positive impacts of recovery on the economy and our counterparties, including adverse impacts on levels of unemployment, loan utilization rates, delinquencies, defaults and counterparty ability to meet credit and other obligations.

Changes in customer preferences and behavior, whether due to changing business and economic conditions, legislative and regulatory initiatives, or other factors.

Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than we are currently expecting. These statements are based on our current view that the U.S. economic expansion will speed up to an above trend growth rate near 3.2 percent in the second half of 2015, boosted by lower oil/energy prices, and that short-term interest rates and bond yields will rise slowly in the latter half of 2015. These forward-looking statements also do not, unless otherwise indicated, take into account the impact of potential legal and regulatory contingencies.

PNC s ability to take certain capital actions, including paying dividends and any plans to increase common stock dividends, repurchase common stock under current or future programs, or issue or redeem preferred stock or other regulatory capital instruments, is subject to the review of such proposed actions by the Federal Reserve as part of PNC s comprehensive capital plan for the applicable period in connection with the regulators Comprehensive Capital Analysis and Review (CCAR) process and to the acceptance of such capital plan and non-objection to such capital actions by the Federal Reserve.

PNC s regulatory capital ratios in the future will depend on, among other things, the company s financial performance, the scope and terms of final capital regulations then in effect (particularly those implementing the Basel Capital Accords), and management actions affecting the composition of PNC s balance sheet. In addition, PNC s ability to determine, evaluate and forecast regulatory capital ratios, and to take actions (such as capital distributions) based on actual or forecasted capital ratios, will be dependent at least in part on the development, validation and regulatory approval of related models.

Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:

Changes resulting from legislative and regulatory reforms, including major reform of the regulatory oversight structure of the financial services industry and changes to laws and regulations involving tax, pension, bankruptcy, consumer protection, and other industry aspects, and changes in accounting policies and principles. We will be impacted by extensive reforms provided for in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and otherwise growing out of the most recent financial

crisis, the precise nature, extent and timing of which, and their impact on us, remains uncertain.

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

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

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

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

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

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

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

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

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

We provide greater detail regarding these as well as other factors in our 2014 10-K, in our first quarter 2015 Form 10-Q, and elsewhere in this Report, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments and Guarantees Notes of the Notes To Consolidated Financial Statements in such reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this Report or in our other filings with the SEC.

CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited	Three months ended June 30		Six months ended June 30	
In millions, except per share data	2015	2014	2015	2014
Interest Income				
Loans	$ 1,791	$ 1,845	$ 3,593	$ 3,744
Investment securities	407	412	813	839
Other	107	99	218	183
Total interest income	2,305	2,356	4,624	4,766
Interest Expense				
Deposits	98	80	190	158
Borrowed funds	155	147	310	284
Total interest expense	253	227	500	442
Net interest income	2,052	2,129	4,124	4,324
Noninterest Income				
Asset management	416	362	792	726
Consumer services	334	323	645	613
Corporate services	369	343	713	644
Residential mortgage	164	182	328	343
Service charges on deposits	156	156	309	303
Net gains (losses) on sales of securities	8	(6)	50	4
Other	367	321	636	630
Total noninterest income	1,814	1,681	3,473	3,263
Total revenue	3,866	3,810	7,597	7,587
Provision For Credit Losses	46	72	100	166
Noninterest Expense				
Personnel	1,200	1,172	2,357	2,252
Occupancy	209	199	425	417
Equipment	231	204	453	405
Marketing	67	68	129	120
Other	659	685	1,351	1,398
Total noninterest expense	2,366	2,328	4,715	4,592
Income before income taxes and noncontrolling interests	1,454	1,410	2,782	2,829
Income taxes	410	358	734	717
Net income	1,044	1,052	2,048	2,112
Less: Net income (loss) attributable to noncontrolling interests	4	3	5	1
Preferred stock dividends and discount accretion and redemptions	48	48	118	118
Net income attributable to common shareholders	$ 992	$ 1,001	$ 1,925	$ 1,993
Earnings Per Common Share				
Basic	$ 1.92	$ 1.88	$ 3.71	$ 3.73
Diluted	1.88	1.85	3.63	3.67
Average Common Shares Outstanding				
Basic	517	532	519	532
Diluted	525	539	527	539

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited	Three months ended June 30		Six months ended June 30	
In millions	2015	2014	2015	2014
Net income	$ 1,044	$ 1,052	$ 2,048	$ 2,112
Other comprehensive income (loss), before tax and net of reclassifications into Net income:				
Net unrealized gains (losses) on non-OTTI securities	(365)	212	(291)	401
Net unrealized gains (losses) on OTTI securities	4	41	7	107
Net unrealized gains (losses) on cash flow hedge derivatives	(170)	81	69	76
Pension and other postretirement benefit plan adjustments	(10)	9	50	91
Other	(9)	(4)	(36)	7
Other comprehensive income (loss), before tax and net of reclassifications into Net income	(550)	339	(201)	682
Income tax benefit (expense) related to items of other comprehensive income	226	(114)	77	(237)
Other comprehensive income (loss), after tax and net of reclassifications into Net income	(324)	225	(124)	445
Comprehensive income	720	1,277	1,924	2,557
Less: Comprehensive income (loss) attributable to noncontrolling interests	4	3	5	1
Comprehensive income attributable to PNC	$ 716	$ 1,274	$ 1,919	$ 2,556

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited

In millions, except par value	June 30 2015	December 31 2014
Assets		
Cash and due from banks (includes $5 and $6 for VIEs) (a)	$ 4,412	$ 4,360
Federal funds sold and resale agreements (includes $150 and $155 measured at fair value) (b)	1,971	1,852
Trading securities	2,334	2,353
Interest-earning deposits with banks (includes $5 and $6 for VIEs) (a)	33,969	31,779
Loans held for sale (includes $2,121 and $2,154 measured at fair value) (b)	2,357	2,262
Investment securities	61,362	55,823
Loans (includes $1,463 and $1,606 for VIEs) (a) (includes $941 and $1,034 measured at fair value) (b)	205,153	204,817
Allowance for loan and lease losses (includes $(44) and $(50) for VIEs) (a)	(3,272)	(3,331)
Net loans	201,881	201,486
Goodwill	9,103	9,103
Mortgage servicing rights	1,558	1,351
Other intangible assets	435	493
Equity investments (includes $256 and $492 for VIEs) (a)	10,531	10,728
Other (includes $440 and $483 for VIEs) (a) (includes $411 and $412 measured at fair value) (b)	24,032	23,482
Total assets	$ 353,945	$ 345,072
Liabilities		
Deposits		
Noninterest-bearing	$ 77,369	$ 73,479
Interest-bearing	162,335	158,755
Total deposits	239,704	232,234
Borrowed funds		
Federal funds purchased and repurchase agreements	2,190	3,510
Federal Home Loan Bank borrowings	22,193	20,005
Bank notes and senior debt	18,529	15,750
Subordinated debt	9,121	9,151
Commercial paper	2,956	4,995
Other (includes $311 and $347 for VIEs) (a) (includes $224 and $273 measured at fair value) (b)	3,287	3,357
Total borrowed funds	58,276	56,768
Allowance for unfunded loan commitments and letters of credit	246	259
Accrued expenses (includes $63 and $70 for VIEs) (a)	5,031	5,187
Other (includes $136 and $206 for VIEs) (a)	4,776	4,550
Total liabilities	308,033	298,998
Equity		
Preferred stock (c)		
Common stock ($5 par value, authorized 800 shares, issued 542 and 541 shares)	2,708	2,705
Capital surplus preferred stock	3,449	3,946
Capital surplus common stock and other	12,632	12,627
Retained earnings	27,609	26,200
Accumulated other comprehensive income (loss)	379	503
Common stock held in treasury at cost: 26 and 18 shares	(2,262)	(1,430)
Total shareholders equity	44,515	44,551
Noncontrolling interests	1,397	1,523
Total equity	45,912	46,074
Total liabilities and equity	$ 353,945	$ 345,072

(a) Amounts represent the assets or liabilities of consolidated variable interest entities (VIEs).
(b) Amounts represent items for which we have elected the fair value option.
(c) Par value less than $.5 million at each date.
See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited	Six months ended June 30	
In millions	2015	2014
Operating Activities		
Net income	$ 2,048	$ 2,112
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for credit losses	100	166
Depreciation and amortization	530	476
Deferred income taxes	109	104
Net gains on sales of securities	(50)	(4)
Changes in fair value of mortgage servicing rights	43	250
Gain on sales of Visa Class B common shares	(79)	(116)
Undistributed earnings of BlackRock	(196)	(193)
Excess tax benefits from share-based payment arrangements	(27)	(36)
Net change in		
Trading securities and other short-term investments	(22)	839
Loans held for sale	(391)	(99)
Other assets	22	(262)
Accrued expenses and other liabilities	(186)	381
Other	(272)	(148)
Net cash provided (used) by operating activities	1,629	3,470
Investing Activities		
Sales		
Securities available for sale	2,402	3,359
Loans	958	1,295
Repayments/maturities		
Securities available for sale	3,933	3,434
Securities held to maturity	1,054	992
Purchases		
Securities available for sale	(9,706)	(3,608)
Securities held to maturity	(3,049)	
Loans	(355)	(369)
Net change in		
Federal funds sold and resale agreements	(119)	459
Interest-earning deposits with banks	(2,190)	(4,741)
Loans	(1,017)	(6,837)
Other	(394)	(266)
Net cash provided (used) by investing activities	(8,483)	(6,282)

(continued on following page)

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

(continued from previous page)

Unaudited	Six months ended June 30	
In millions	2015	2014
Financing Activities		
Net change in		
Noninterest-bearing deposits	$ 3,909	$ 723
Interest-bearing deposits	3,580	928
Federal funds purchased and repurchase agreements	(1,320)	(1,156)
Commercial paper	(158)	(268)
Other borrowed funds	712	(494)
Sales/issuances		
Federal Home Loan Bank borrowings	2,250	7,650
Bank notes and senior debt	4,932	3,636
Subordinated debt		745
Commercial paper	1,393	4,532
Other borrowed funds	586	380
Common and treasury stock	109	179
Repayments/maturities		
Federal Home Loan Bank borrowings	(62)	(5,539)
Bank notes and senior debt	(2,134)	(2,200)
Subordinated debt	39	22
Commercial paper	(3,274)	(4,262)
Other borrowed funds	(1,532)	(354)
Preferred stock redemption	(500)	
Excess tax benefits from share-based payment arrangements	27	36
Acquisition of treasury stock	(1,020)	(291)
Preferred stock cash dividends paid	(115)	(115)
Common stock cash dividends paid	(516)	(491)
Net cash provided (used) by financing activities	6,906	3,661
Net Increase (Decrease) In Cash And Due From Banks	52	849
Cash and due from banks at beginning of period	4,360	4,043
Cash and due from banks at end of period	$ 4,412	$ 4,892
Supplemental Disclosures		
Interest paid	$ 503	$ 418
Income taxes paid	191	551
Income taxes refunded	1	9
Non-cash Investing and Financing Items		
Transfer from (to) loans to (from) loans held for sale, net	3	390
Transfer from loans to foreclosed assets	227	315

See accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

BUSINESS

The PNC Financial Services Group, Inc. (PNC) is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania.

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

NOTE 1 ACCOUNTING POLICIES

Basis Of Financial Statement Presentation

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

We prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the 2015 presentation, which did not have a material impact on our consolidated financial condition or results of operations. Additionally, we evaluate the materiality of identified errors in the financial statements using both an income statement and a balance sheet approach, based on relevant quantitative and qualitative factors. The consolidated financial statements include certain adjustments to correct immaterial errors related to previously reported periods. In addition, as disclosed in certain Notes to the Consolidated Financial Statements, we made adjustments to previously reported periods for immaterial errors.

In our opinion, the unaudited interim consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

When preparing these unaudited interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2014 Annual Report on Form 10-K. Reference is made to Note 1 Accounting Policies in the 2014 Form 10-K for a detailed description of significant accounting policies. Included herein are policies that are required to be disclosed on an interim basis as well as policies where there has been a significant change within the first six months of 2015. These interim consolidated financial statements serve to update the 2014 Form 10-K and may not include all information and notes necessary to constitute a complete set of financial statements.

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

Use Of Estimates

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

Nonperforming Loans and Leases

The matrix below summarizes PNC s policies for classifying certain loans as nonperforming loans and/or discontinuing the accrual of loan interest income.

	Commercial loans
Loans Classified as Nonperforming and Accounted for as Nonaccrual	Loans accounted for at amortized cost where: The loan is 90 days or more past due. The loan is rated substandard or worse due to the determination that full collection of principal and interest is not probable as demonstrated by the following conditions: The collection of principal or interest is 90 days or more past due; Reasonable doubt exists as to the certainty of the borrower s future debt service ability, according to the terms of the credit arrangement, regardless of whether 90 days have passed or not; The borrower has filed or will likely file for bankruptcy; The bank advances additional funds to cover principal or interest; We are in the process of liquidating a commercial borrower; or We are pursuing remedies under a guarantee.
Loans Excluded from Nonperforming Classification but Accounted for as Nonaccrual	Loans accounted for under the fair value option when we determine that full collection of principal and interest is not probable. Loans accounted for at the lower of cost or market less costs to sell (Held for Sale) when we determine that full collection of principal and interest is not probable.
Loans Excluded from Nonperforming Classification and Nonaccrual Accounting	Purchased impaired loans because interest income is accreted by nature of the accounting for these assets. Loans that are well secured and in the process of collection.
	Consumer loans
Loans Classified as Nonperforming and Accounted for as Nonaccrual	Loans accounted for at amortized cost where full collection of contractual principal and interest is not deemed probable as demonstrated in the policies below: The loan is 90 days past due for home equity and installment loans, and 180 days past due for well secured residential real estate loans; The loan has been modified and classified as a troubled debt restructuring (TDR); Notification of bankruptcy has been received and the loan is 30 days or more past due; The bank holds a subordinate lien position in the loan and the first lien loan is seriously stressed (i.e., 90 days or more past due); Other loans within the same borrower relationship have been placed on nonaccrual or charge-offs have been taken on them; The bank has repossessed non-real estate collateral securing the loan; or

The bank has charged-off the loan to the value of the collateral.

Loans Excluded from Nonperforming Classification but Accounted for as Nonaccrual	Loans accounted for under the fair value option when we determine that full collection of principal and interest is not probable.
	Loans accounted for at the lower of cost or market less costs to sell (Held for Sale) when we determine that full collection of principal and interest is not probable.
Loans Excluded from Nonperforming Classification and Nonaccrual Accounting	Purchased impaired loans because interest income is accreted through the accounting model. Certain government insured loans where substantially all principal and interest is insured. Residential real estate loans that are well secured and in the process of collection. Consumer loans and lines of credit, not secured by residential real estate, as permitted by regulatory guidance.

See Note 3 Asset Quality in this Report for additional detail on nonperforming assets and asset quality indicators for commercial and consumer loans.

Commercial Loans

We generally charge off Commercial Lending (Commercial, Commercial Real Estate, and Equipment Lease Financing) nonperforming loans when we determine that a specific loan, or portion thereof, is uncollectible. This determination is based on the specific facts and circumstances of the individual loans. In making this determination, we consider the viability of the business or project as a going concern, the past due

status when the asset is not well-secured, the expected cash

flows to repay the loan, the value of the collateral, and the ability and willingness of any guarantors to perform.

Additionally, in general, for smaller dollar commercial loans of $1 million or less, a partial or full charge-off occurs at 120 days past due for term loans and 180 days past due for revolvers. Certain small business credit card balances that are placed on nonaccrual status when they become 90 days or more past due are charged-off at 180 days past due.

Consumer Loans

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

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

For loans that continue to meet any of the above policies, collateral values are updated annually and subsequent declines in collateral values are charged-off resulting in incremental provision for credit loss.

Most consumer loans and lines of credit, not secured by residential real estate, are charged off after 120-180 days past due.

Accounting for Nonperforming Loans and Leases and Other Nonaccrual Loans

For accrual loans, interest income is accrued on a monthly basis and certain fees and costs are deferred upon origination and recognized in income over the term of the loan utilizing an effective yield method. For nonaccrual loans, interest income accrual and deferred fee/cost amortization is discontinued. Additionally, the current year accrued and uncollected interest is reversed through Net interest income and prior year accrued and uncollected interest is charged-off. Nonaccrual loans may also be charged-off to reduce the basis to the fair value of collateral less costs to sell.

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

For TDRs, payments are applied based upon their contractual terms unless the related loan is deemed non-performing. TDRs are generally included in nonperforming and nonaccrual loans until returned to performing/accruing status through performance under restructured terms and other performance indicators for a reasonable period of time demonstrating that the bank expects to collect all of the loan s remaining contractual principal and interest. TDRs resulting from 1) borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC and 2) borrowers that are not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

Other nonaccrual loans are generally not returned to accrual status until the borrower has performed in accordance with the contractual terms and other performance indicators for at least six months, the period of time which was determined to demonstrate the expected collection of the loan s remaining contractual principal and interest. When a nonperforming loan is returned to accrual status, it is then considered a performing loan.

See Note 3 Asset Quality and Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit in this Report and in our 2014 Form 10-K for additional TDR information.

Allowance for Loan and Lease Losses

We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolios as of the balance sheet date. Our determination of the allowance is based on periodic evaluations of these loan and lease portfolios and other relevant factors. This critical estimate includes significant use

of PNC s own historical data and complex methods to interpret this data. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change, and include, among others:

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

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

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

Asset Specific/Individual Component

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

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

Commercial Lending Quantitative Component

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

Consumer Lending Quantitative Component

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

Qualitative Component

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

- Industry concentrations and conditions,
- Recent credit quality trends,
- Recent loss experience in particular portfolios,
- Recent macro-economic factors,

- Model imprecision,
- Changes in lending policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Limitations of available historical data.

Allowance for Purchased Non-Impaired Loans

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

Allowance for Purchased Impaired Loans

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

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

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

Allowance for Unfunded Loan Commitments and Letters of Credit

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

See Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional loan data and application of the policies disclosed herein.

Earnings Per Common Share

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

Diluted earnings per common share is calculated under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, we increase the weighted-average number of shares of common stock outstanding by the assumed conversion of outstanding convertible preferred stock from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and warrants and the issuance of incentive shares using the treasury stock method. These adjustments to the weighted-average number of shares of common stock outstanding are made only when such adjustments will dilute earnings per common share. See Note 12 Earnings Per Share for additional information.

Recently Adopted Accounting Standards

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures.* This ASU impacts the accounting for repurchase-to-maturity transactions and transfers executed contemporaneously with a repurchase agreement with the same counterparty (i.e., a repurchase financing) by requiring secured borrowing accounting. We adopted this accounting as of January 1, 2015. The disclosure requirements were adopted in the current reporting period. Adoption of this ASU did not have a material effect on our results of operations or financial position.

NOTE 2 LOAN SALE AND SERVICING ACTIVITIES AND VARIABLE INTEREST ENTITIES

Loan Sale and Servicing Activities

As more fully described in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our 2014 Form 10-K, we have transferred residential and commercial mortgage loans in securitization or sales transactions in which we have continuing involvement. Our continuing involvement generally consists of servicing, repurchasing previously transferred loans under certain conditions and loss share arrangements, and, in limited circumstances, holding of mortgage-backed securities issued by the securitization SPEs.

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

Table 50: Certain Financial Information and Cash Flows Associated with Loan Sale and Servicing Activities

In millions	Residential Mortgages	Commercial Mortgages (a)	Home Equity Loans/Lines (b)
FINANCIAL INFORMATION June 30, 2015			
Servicing portfolio (c)	$ 115,454	$ 197,932	$ 3,438
Carrying value of servicing assets (d)	1,015	543	
Servicing advances (e)	463	271	6
Repurchase and recourse obligations (f)	97	35	28
Carrying value of mortgage-backed securities held (g)	5,639	1,170	
FINANCIAL INFORMATION December 31, 2014			
Servicing portfolio (c)	$ 108,010	$ 186,032	$ 3,833
Carrying value of servicing assets (d)	845	506	
Servicing advances (e)	501	299	31
Repurchase and recourse obligations (f)	107	35	29
Carrying value of mortgage-backed securities held (g)	3,365	1,269	
CASH FLOWS Three months ended June 30, 2015			
Sales of loans (h)	$ 2,015	$ 1,159	
Repurchases of previously transferred loans (i)	134		
Servicing fees (j)	82	36	$ 4
Servicing advances recovered/(funded), net	47	21	1
Cash flows on mortgage-backed securities held (g)	429	54	
CASH FLOWS Three months ended June 30, 2014			
Sales of loans (h)	$ 2,189	$ 496	
Repurchases of previously transferred loans (i)	159		$ 3
Servicing fees (j)	87	26	5
Servicing advances recovered/(funded), net	39	23	3
Cash flows on mortgage-backed securities held (g)	254	47	
CASH FLOWS Six months ended June 30, 2015			
Sales of loans (h)	$ 3,955	$ 2,179	
Repurchases of previously transferred loans (i)	303		$ 2
Servicing fees (j)	165	68	8
Servicing advances recovered/(funded), net	38	28	25
Cash flows on mortgage-backed securities held (g)	669	114	
CASH FLOWS Six months ended June 30, 2014			
Sales of loans (h)	$ 4,284	$ 935	
Repurchases of previously transferred loans (i)	368		$ 9
Servicing fees (j)	174	67	10
Servicing advances recovered/(funded), net	69	55	6
Cash flows on mortgage-backed securities held (g)	486	191	

(a) Represents financial and cash flow information associated with both commercial mortgage loan transfer and servicing activities.
(b) These activities were part of an acquired brokered home equity lending business in which PNC is no longer engaged.
(c) For our continuing involvement with residential mortgages, this amount represents the outstanding balance of loans we service, including loans transferred by us and loans originated by others where we have purchased the associated servicing rights. For home equity loan/line of credit transfers, this amount represents the outstanding balance of loans transferred and serviced. For commercial mortgages, this amount represents our overall servicing portfolio in which loans have been transferred by us or third parties to VIEs.
(d) See Note 7 Fair Value and Note 8 Goodwill and Other Intangible Assets for further information.
(e) Pursuant to certain contractual servicing agreements, represents outstanding balance of funds advanced (i) to investors for monthly collections of borrower principal and interest, (ii) for borrower draws on unused home equity lines of credit, and (iii) for collateral protection associated with the underlying mortgage collateral.
(f) Represents liability for our loss exposure associated with loan repurchases for breaches of representations and warranties for our Residential Mortgage Banking and Non-Strategic Assets Portfolio segments, and our commercial mortgage loss share arrangements for our Corporate & Institutional Banking segment. See Note 16 Commitments and Guarantees for further information.
(g) Represents securities held where PNC transferred to and/or services loans for a securitization SPE and we hold securities issued by that SPE.
(h) Gains/losses recognized on sales of loans were insignificant for the periods presented.
(i) Includes government insured or guaranteed loans eligible for repurchase through the exercise of our ROAP option and loans repurchased due to breaches of origination covenants or representations and warranties made to purchasers.
(j) Includes contractually specified servicing fees, late charges and ancillary fees.

The table below presents information about the principal balances of transferred loans that we service and are not recorded on our balance sheet.

Table 51: Principal Balance, Delinquent Loans, and Net Charge-offs Related to Serviced Loans

In millions	Residential Mortgages	Commercial Mortgages (a)	Home Equity Loans/Lines (b)
June 30, 2015			
Total principal balance	$ 75,639	$ 56,552	$ 3,438
Delinquent loans (c)	2,161	672	1,129
December 31, 2014			
Total principal balance	$ 79,108	$ 60,873	$ 3,833
Delinquent loans (c)	2,657	707	1,303
Three months ended June 30, 2015			
Net charge-offs (d)	$ 37	$ 148	$ 8
Three months ended June 30, 2014			
Net charge-offs (d)	$ 34	$ 345	$ 15
Six months ended June 30, 2015			
Net charge-offs (d)	$ 69	$ 255	$ 15
Six months ended June 30, 2014			
Net charge-offs (d)	$ 75	$ 700	$ 32

(a) Represents information at the securitization level in which PNC has sold loans and is the servicer for the securitization.

(b) These activities were part of an acquired brokered home equity lending business in which PNC is no longer engaged.

(c) Serviced delinquent loans are 90 days or more past due or are in process of foreclosure.

(d) Net charge-offs for Residential mortgages and Home equity loans/lines represent credit losses less recoveries distributed and as reported to investors during the period. Net charge-offs for Commercial mortgages represent credit losses less recoveries distributed and as reported by the trustee for CMBS securitizations. Realized losses for Agency securitizations are not reflected as we do not manage the underlying real estate upon foreclosure and, as such, do not have access to loss information.

Variable Interest Entities (VIEs)

As discussed in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our 2014 Form 10-K, we are involved with various entities in the normal course of business that are deemed to be VIEs. The following provides a summary of VIEs, including those that we have consolidated and those in which we hold variable interests but have not consolidated into our financial statements as of June 30, 2015 and December 31, 2014, respectively. We have not provided additional financial support to these entities which we are not contractually required to provide.

Table 52: Consolidated VIEs Carrying Value (a) (b)

June 30, 2015

In millions	Credit Card and Other Securitization Trusts	Tax Credit Investments	Total
Assets			
Cash and due from banks		$ 5	$ 5
Interest-earning deposits with banks		5	5
Loans	$ 1,457	6	1,463
Allowance for loan and lease losses	(44)		(44)
Equity investments		256	256
Other assets	20	420	440
Total assets	$ 1,433	$ 692	$ 2,125
Liabilities			
Other borrowed funds	$ 154	$ 157	$ 311
Accrued expenses		63	63
Other liabilities		136	136
Total liabilities	$ 154	$ 356	$ 510

December 31, 2014

In millions	Credit Card and Other Securitization Trusts	Tax Credit Investments	Total
Assets			
Cash and due from banks		$ 6	$ 6
Interest-earning deposits with banks		6	6
Loans	$ 1,606		1,606
Allowance for loan and lease losses	(50)		(50)
Equity investments		492	492
Other assets	31	452	483
Total assets	$ 1,587	$ 956	$ 2,543
Liabilities			
Other borrowed funds	$ 166	$ 181	$ 347
Accrued expenses		70	70
Other liabilities		206	206
Total liabilities	$ 166	$ 457	$ 623

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

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

Table 53: Non-Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss (a)	Carrying Value of Assets Owned by PNC	Carrying Value of Liabilities Owned by PNC
June 30, 2015					
Commercial Mortgage-Backed Securitizations (b)	$ 45,797	$ 45,797	$ 1,415	$ 1,415 (d)	
Residential Mortgage-Backed Securitizations (b)	323,975	323,975	5,678	5,678 (d)	$ 1 (f)
Tax Credit Investments and Other (c)	7,576	2,937	2,237	2,281 (e)	695 (g)
Total	$ 377,348	$ 372,709	$ 9,330	$ 9,374	$ 696

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss (a)	Carrying Value of Assets Owned by PNC	Carrying Value of Liabilities Owned by PNC
December 31, 2014					
Commercial Mortgage-Backed Securitizations (b)	$ 53,436	$ 53,436	$ 1,550	$ 1,550 (d)	$ 1 (f)
Residential Mortgage-Backed Securitizations (b)	62,236	62,236	3,385	3,385 (d)	4 (f)
Tax Credit Investments and Other (c)	7,493	2,933	2,270	2,304 (e)	777 (g)
Total	$ 123,165	$ 118,605	$ 7,205	$ 7,239	$ 782

(a) This represents loans, investments and other assets related to non-consolidated VIEs, net of collateral (if applicable). Our total exposure related to our involvement in loan sale and servicing activities is disclosed in Table 50. Additionally, we also invest in other mortgage and asset-backed securities issued by third-party VIEs with which we have no continuing involvement. Further information on these securities is included in Note 6 Investment Securities and values disclosed represent our maximum exposure to loss for those securities holdings.
(b) Amounts reflect involvement with securitization SPEs where PNC transferred to and/or services loans for an SPE and we hold securities issued by that SPE. Asset amounts equal outstanding liability amounts of the SPEs due to limited availability of SPE financial information.
(c) Aggregate assets and aggregate liabilities are based on limited availability of financial information associated with certain acquired partnerships and certain LLCs engaged in solar power generation to which PNC provides lease financing. The aggregate assets and aggregate liabilities of LLCs engaged in solar power generation may not be reflective of the size of these VIEs due to differences in classification of leases by these entities.
(d) Included in Trading securities, Investment securities, Other intangible assets and Other assets on our Consolidated Balance Sheet.
(e) Included in Loans, Equity investments and Other assets on our Consolidated Balance Sheet.
(f) Included in Other liabilities on our Consolidated Balance Sheet.
(g) Included in Deposits and Other liabilities on our Consolidated Balance Sheet.

Our involvement with VIEs is discussed in further detail in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our 2014 Form 10-K.

NOTE 3 ASSET QUALITY

Asset Quality

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

Nonperforming assets include nonperforming loans and leases, OREO and foreclosed assets, and nonperforming TDRs. Nonperforming loans are those loans accounted for at amortized cost whose credit quality has deteriorated to the extent that full collection of contractual principal and interest is not probable. Interest income is not recognized on these loans. Loans accounted for under the fair value option are reported as performing loans as these loans are accounted for at fair value. Accordingly, when nonaccrual criteria is met, interest income is not recognized on these loans. Additionally, certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest. Purchased impaired loans are excluded from nonperforming loans as we are currently accreting interest income over the expected life of the loans. See Note 4 Purchased Loans for further information.

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

The following tables display the delinquency status of our loans and our nonperforming assets at June 30, 2015 and December 31, 2014, respectively.

Table 54: Analysis of Loan Portfolio (a)

	Accruing								
Dollars in millions	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due (b)	Nonperforming Loans	Fair Value Option Nonaccrual Loans (c)	Purchased Impaired Loans	Total Loans (d) (e)
June 30, 2015									
Commercial Lending									
Commercial	$ 97,675	$ 83	$ 32	$ 35	$ 150	$ 258		$ 50	$ 98,133
Commercial real estate	24,368	5	5	1	11	242		185	24,806
Equipment lease financing	7,778	2			2	3			7,783
Total commercial lending	129,821	90	37	36	163	503		235	130,722
Consumer Lending									
Home equity	30,555	65	25		90	1,057		1,833	33,535
Residential real estate (f)	10,456	142	58	604	804	633	$ 242	2,397	14,532
Credit card	4,448	23	17	29	69	3			4,520
Other consumer (g)	21,273	172	98	245	515	56			21,844
Total consumer lending	66,732	402	198	878	1,478	1,749	242	4,230	74,431
Total	$ 196,553	$ 492	$ 235	$ 914	$ 1,641	$ 2,252	$ 242	$ 4,465	$ 205,153
Percentage of total loans	95.80%	.24%	.11%	.45%	.80%	1.10%	.12%	2.18%	100.00%
December 31, 2014									
Commercial Lending									
Commercial	$ 96,922	$ 73	$ 24	$ 37	$ 134	$ 290		$ 74	$ 97,420
Commercial real estate	22,667	23	2		25	334		236	23,262
Equipment lease financing	7,672	11	1		12	2			7,686
Total commercial lending	127,261	107	27	37	171	626		310	128,368
Consumer Lending									
Home equity	31,474	70	32		102	1,112		1,989	34,677
Residential real estate (f)	9,900	163	68	742	973	706	$ 269	2,559	14,407
Credit card	4,528	28	20	33	81	3			4,612
Other consumer (g)	22,071	214	112	293	619	63			22,753
Total consumer lending	67,973	475	232	1,068	1,775	1,884	269	4,548	76,449
Total	$ 195,234	$ 582	$ 259	$ 1,105	$ 1,946	$ 2,510	$ 269	$ 4,858	$ 204,817
Percentage of total loans	95.32%	.28%	.13%	.54%	.95%	1.23%	.13%	2.37%	100.00%

(a) Amounts in table represent recorded investment and exclude loans held for sale.
(b) Past due loan amounts exclude purchased impaired loans, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we are currently accreting interest income over the expected life of the loans.
(c) Consumer loans accounted for under the fair value option for which we do not expect to collect substantially all principal and interest are subject to nonaccrual accounting and classification upon meeting any of our nonaccrual policies. Given that these loans are not accounted for at amortized cost, these loans have been excluded from the nonperforming loan population.
(d) Net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $1.6 billion and $1.7 billion at June 30, 2015 and December 31, 2014, respectively.
(e) Future accretable yield related to purchased impaired loans is not included in the analysis of loan portfolio.
(f) Past due loan amounts at June 30, 2015 include government insured or guaranteed Residential real estate mortgages totaling $64 million for 30 to 59 days past due, $38 million for 60 to 89 days past due and $585 million for 90 days or more past due. Past due loan amounts at December 31, 2014 include government insured or guaranteed Residential real estate mortgages totaling $68 million for 30 to 59 days past due, $43 million for 60 to 89 days past due and $719 million for 90 days or more past due.
(g) Past due loan amounts at June 30, 2015 include government insured or guaranteed Other consumer loans totaling $121 million for 30 to 59 days past due, $81 million for 60 to 89 days past due and $232 million for 90 days or more past due. Past due loan amounts at December 31, 2014 include government insured or guaranteed Other consumer loans totaling $152 million for 30 to 59 days past due, $93 million for 60 to 89 days past due and $277 million for 90 days or more past due.

At June 30, 2015, we pledged $18.7 billion of commercial loans to the Federal Reserve Bank (FRB) and $52.6 billion of residential real estate and other loans to the Federal Home Loan Bank (FHLB) as collateral for the contingent ability to borrow, if necessary. The comparable amounts at December 31, 2014 were $19.2 billion and $52.8 billion, respectively.

In the normal course of business, we originate or purchase loan products with contractual characteristics that, when concentrated, may increase our exposure as a holder of those loan products. Possible product features that may create a concentration of credit risk would include a high original or updated LTV ratio, terms that may expose the borrower to future increases in repayments above increases in market interest rates, and interest-only loans, among others.

We originate interest-only loans to commercial borrowers. Such credit arrangements are usually designed to match borrower cash flow expectations (e.g., working capital lines, revolvers). These products are standard in the financial services industry and product features are considered during the underwriting process to mitigate the increased risk that the interest-only feature may result in borrowers not being able to make interest and principal payments when due. We do not believe that these product features create a concentration of credit risk.

Table 55: Nonperforming Assets

Dollars in millions	June 30 2015	December 31 2014
Nonperforming loans		
Commercial lending		
Commercial	$ 258	$ 290
Commercial real estate	242	334
Equipment lease financing	3	2
Total commercial lending	503	626
Consumer lending (a)		
Home equity	1,057	1,112
Residential real estate	633	706
Credit card	3	3
Other consumer	56	63
Total consumer lending	1,749	1,884
Total nonperforming loans (b) (c)	2,252	2,510
OREO and foreclosed assets		
Other real estate owned (OREO)	302	351
Foreclosed and other assets	24	19
Total OREO and foreclosed assets	326	370
Total nonperforming assets	$ 2,578	$ 2,880
Nonperforming loans to total loans	1.10%	1.23%
Nonperforming assets to total loans, OREO and foreclosed assets	1.25	1.40
Nonperforming assets to total assets	.73	.83

(a) Excludes most consumer loans and lines of credit, not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.
(c) The recorded investment of loans collateralized by residential real estate property that are in process of foreclosure was $.6 billion and $.8 billion at June 30, 2015 and December 31, 2014, which included $.4 billion and $.5 billion, respectively, of loans that are government insured/guaranteed.

Nonperforming loans also include certain loans whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. In accordance with applicable accounting guidance, these loans are considered TDRs. See Note 1 Accounting Policies and the TDR section of Note 3 in our 2014 Form 10-K for additional information. For the six months ended June 30, 2015, $442 million of Consumer loans held for sale, loans accounted for under the fair value option, pooled purchased impaired loans, as well as certain government insured or guaranteed loans which were evaluated for TDR consideration, are not classified as TDRs. The comparable amount for the six months ended June 30, 2014 was $615 million.

Total nonperforming loans in the nonperforming assets table above include TDRs of $1.2 billion at June 30, 2015 and $1.4 billion at December 31, 2014. TDRs that are performing, including credit card TDR loans, totaled $1.2 billion at June 30, 2015 and December 31, 2014 and are excluded from nonperforming loans. These include TDRs that are not placed on nonaccrual status as permitted by regulatory guidance. Nonperforming TDRs are returned to accrual and classified as performing after demonstrating a period of at least six months of consecutive performance under the restructured terms. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC and loans to borrowers not currently obligated to make both principal and

interest payments under the restructured terms are not returned to accrual status.

Additional Asset Quality Indicators

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

Commercial Lending Asset Classes

Commercial Loan Class

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

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

Commercial Real Estate Loan Class

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

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

Equipment Lease Financing Loan Class

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

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

Commercial Purchased Impaired Loan Class

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

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

See Note 4 Purchased Loans for additional information.

Table 56: Commercial Lending Asset Quality Indicators (a)(b)

		Criticized Commercial Loans			
In millions	Pass Rated	Special Mention (c)	Substandard (d)	Doubtful (e)	Total Loans
June 30, 2015					
Commercial	$ 93,470	$ 1,848	$ 2,696	$ 69	$ 98,083
Commercial real estate	23,828	215	564	14	24,621
Equipment lease financing	7,621	84	76	2	7,783
Purchased impaired loans		6	208	21	235
Total commercial lending	$ 124,919	$ 2,153	$ 3,544	$ 106	$ 130,722
December 31, 2014					
Commercial	$ 92,884	$ 1,984	$ 2,424	$ 55	$ 97,347
Commercial real estate	22,066	285	639	35	23,025
Equipment lease financing	7,518	73	93	2	7,686
Purchased impaired loans		4	280	26	310
Total commercial lending	$ 122,468	$ 2,346	$ 3,436	$ 118	$ 128,368

(a) Based upon PDs and LGDs. We apply a split rating classification to certain loans meeting threshold criteria. By assigning a split classification, a loan s exposure amount may be split into more than one classification category in the above table.
(b) Loans are included above based on the Regulatory Classification definitions of Pass , Special Mention , Substandard and Doubtful .
(c) Special Mention rated loans have a potential weakness that deserves management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects at some future date. These loans do not expose us to sufficient risk to warrant a more adverse classification at this time.
(d) Substandard rated loans have a well-defined weakness or weaknesses that jeopardize the collection or liquidation of debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.
(e) Doubtful rated loans possess all the inherent weaknesses of a Substandard loan with the additional characteristics that the weakness makes collection or liquidation in full improbable due to existing facts, conditions, and values.

Consumer Lending Asset Classes

Home Equity and Residential Real Estate Loan Classes

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

Delinquency/Delinquency Rates: We monitor trending of delinquency/delinquency rates for home equity and residential real estate loans. See the Asset Quality section of this Note 3 for additional information.

Nonperforming Loans: We monitor trending of nonperforming loans for home equity and residential real estate loans. See the Asset Quality section of this Note 3 for additional information.

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

LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions): At least annually, we update the property values of real estate collateral and calculate an

updated LTV ratio. For open-end credit lines secured by real estate in regions experiencing significant declines in property values, more frequent valuations may occur. We examine LTV migration and stratify LTV into categories to monitor the risk in the loan classes.

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

updated LTV).

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

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

Consumer Purchased Impaired Loan Class

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

See Note 4 Purchased Loans for additional information.

Table 57: Home Equity and Residential Real Estate Balances

In millions	June 30 2015	December 31 2014
Home equity and residential real estate loans excluding purchased impaired loans (a)	$ 42,830	$ 43,348
Home equity and residential real estate loans purchased impaired loans (b)	4,136	4,541
Government insured or guaranteed residential real estate mortgages (a)	1,007	1,188
Difference between outstanding balance and recorded investment in purchased impaired loans (c)	94	7
Total home equity and residential real estate loans (a)	$ 48,067	$ 49,084

(a) Represents recorded investment.
(b) Represents outstanding balance.
(c) Outstanding balance represents the balance on the loan servicing system for active loans. It is possible for the outstanding balance to be lower than the recorded investment for certain loans due to the use of pool accounting.

Table 58: Home Equity and Residential Real Estate Asset Quality Indicators Excluding Purchased Impaired Loans (a) (b)

June 30, 2015 in millions	Home Equity 1st Liens	Home Equity 2nd Liens	Residential Real Estate	Total
Current estimated LTV ratios (c)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 315	$ 1,223	$ 346	$ 1,884
Less than or equal to 660 (d) (e)	55	236	89	380
Missing FICO	1	7	6	14
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	797	2,016	763	3,576
Less than or equal to 660 (d) (e)	114	341	137	592
Missing FICO	2	5	8	15
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	863	1,659	774	3,296
Less than or equal to 660	98	236	102	436
Missing FICO	2	4	9	15
Less than 90% and updated FICO scores:				
Greater than 660	13,957	7,574	8,216	29,747
Less than or equal to 660	1,251	902	566	2,719
Missing FICO	29	15	112	156
Total home equity and residential real estate loans	$ 17,484	$ 14,218	$ 11,128	$ 42,830

December 31, 2014 in millions	Home Equity 1st Liens	Home Equity 2nd Liens	Residential Real Estate	Total
Current estimated LTV ratios (c)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 333	$ 1,399	$ 360	$ 2,092
Less than or equal to 660 (d) (e)	57	273	92	422
Missing FICO	1	9	8	18
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	839	2,190	772	3,801
Less than or equal to 660 (d) (e)	118	383	153	654
Missing FICO	1	5	12	18
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	891	1,703	755	3,349
Less than or equal to 660	103	271	118	492
Missing FICO	2	3	5	10
Less than 90% and updated FICO scores:				
Greater than 660	13,878	7,874	7,703	29,455
Less than or equal to 660	1,319	995	573	2,887
Missing FICO	27	14	109	150
Total home equity and residential real estate loans	$ 17,569	$ 15,119	$ 10,660	$ 43,348

(a) Excludes purchased impaired loans of approximately $4.2 billion and $4.5 billion in recorded investment, certain government insured or guaranteed residential real estate mortgages of approximately $1.0 billion and $1.2 billion, and loans held for sale at June 30, 2015 and December 31, 2014, respectively. See the Home Equity and Residential Real Estate Asset Quality Indicators Purchased Impaired Loans table below for additional information on purchased impaired loans.

(b) Amounts shown represent recorded investment.

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

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

(e) The following states had the highest percentage of higher risk loans at June 30, 2015: New Jersey 15%, Ohio 12%, Illinois 12%, Pennsylvania 12%, Florida 7%, Maryland 6% and Michigan 5%. The remainder of the states had lower than 4% of the higher risk loans individually, and collectively they represent approximately 31% of the higher risk loans. The following states had the highest percentage of higher risk loans at December 31, 2014: New Jersey 14%, Illinois 12%, Pennsylvania 12%, Ohio 12%, Florida 8%, Maryland 6%, Michigan 5%, and North Carolina 4%. The remainder of the states had lower than 4% of the high risk loans individually, and collectively they represent approximately 28% of the higher risk loans.

Table 59: Home Equity and Residential Real Estate Asset Quality Indicators Purchased Impaired Loans (a)

	Home Equity (b) (c)		Residential Real Estate (b) (c)	
June 30, 2015 in millions	1st Liens	2nd Liens		Total
Current estimated LTV ratios (d)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 6	$ 225	$ 221	$ 452
Less than or equal to 660	9	105	121	235
Missing FICO		7	7	14
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	14	387	245	646
Less than or equal to 660	11	166	173	350
Missing FICO		10	9	19
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	12	186	157	355
Less than or equal to 660	7	84	103	194
Missing FICO		4	6	10
Less than 90% and updated FICO scores:				
Greater than 660	109	320	625	1,054
Less than or equal to 660	97	175	472	744
Missing FICO	1	13	28	42
Missing LTV and updated FICO scores:				
Greater than 660	1		12	13
Less than or equal to 660	3		5	8
Total home equity and residential real estate loans	$ 270	$ 1,682	$ 2,184	$ 4,136

	Home Equity (b) (c)		Residential Real Estate (b) (c)	
December 31, 2014 in millions	1st Liens	2nd Liens		Total
Current estimated LTV ratios (d)				
Greater than or equal to 125% and updated FICO scores:				
Greater than 660	$ 8	$ 243	$ 276	$ 527
Less than or equal to 660	9	125	144	278
Missing FICO		8	6	14
Greater than or equal to 100% to less than 125% and updated FICO scores:				
Greater than 660	15	426	272	713
Less than or equal to 660	12	194	200	406
Missing FICO		11	5	16
Greater than or equal to 90% to less than 100% and updated FICO scores:				
Greater than 660	12	207	186	405
Less than or equal to 660	9	93	123	225
Missing FICO		5	3	8
Less than 90% and updated FICO scores:				
Greater than 660	102	339	626	1,067

Less than or equal to 660	109	200	515	824
Missing FICO	1	12	15	28
Missing LTV and updated FICO scores:				
Greater than 660	1		14	15
Less than or equal to 660	4		10	14
Missing FICO			1	1
Total home equity and residential real estate loans	$ 282	$ 1,863	$ 2,396	$ 4,541

(a) Amounts shown represent outstanding balance. See Note 4 Purchased Loans for additional information.
(b) For the estimate of cash flows utilized in our purchased impaired loan accounting, other assumptions and estimates are made, including amortization of first lien balances, pre-payment rates, etc., which are not reflected in this table.
(c) The following states had the highest percentage of purchased impaired loans at June 30, 2015: California 16%, Florida 14%, Illinois 11%, Ohio 8%, North Carolina 7%, and Michigan 5%. The remainder of the states had lower than a 4% concentration of purchased impaired loans individually, and collectively they represent approximately 39% of the purchased impaired portfolio. The following states had the highest percentage of purchased impaired loans at December 31, 2014: California 17%, Florida 15%, Illinois 11%, Ohio 8%, North Carolina 7% and Michigan 5%. The remainder of the states had lower than a 4% concentration of purchased impaired loans individually, and collectively they represent approximately 37% of the purchased impaired portfolio.
(d) Based upon updated LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions). Updated LTV is estimated using modeled property values. These ratios are updated at least semi-annually. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models (AVMs), broker price opinions (BPOs), HPI indices, property location, internal and external balance information, origination data and management assumptions. In cases where we are in an originated second lien position, we generally utilize origination balances provided by a third-party which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of these calculations do not represent actual appraised loan level collateral or updated LTV based upon a current first lien balance, and as such, are necessarily imprecise and subject to change as we enhance our methodology.

Credit Card and Other Consumer Loan Classes

Table 60: Credit Card and Other Consumer Loan Classes Asset Quality Indicators

	Credit Card (a)		Other Consumer (b)	
Dollars in millions	Amount	% of Total Loans Using FICO Credit Metric	Amount	% of Total Loans Using FICO Credit Metric
June 30, 2015				
FICO score greater than 719	$ 2,680	59%	$ 9,293	65%
650 to 719	1,265	28	3,425	24
620 to 649	193	4	503	3
Less than 620	208	5	578	4
No FICO score available or required (c)	174	4	517	4
Total loans using FICO credit metric	4,520	100%	14,316	100%
Consumer loans using other internal credit metrics (b)			7,528	
Total loan balance	$ 4,520		$ 21,844	
Weighted-average updated FICO score (d)		734		745
December 31, 2014				
FICO score greater than 719	$ 2,717	59%	$ 9,156	64%
650 to 719	1,288	28	3,459	24
620 to 649	203	4	528	4
Less than 620	239	5	619	4
No FICO score available or required (c)	165	4	557	4
Total loans using FICO credit metric	4,612	100%	14,319	100%
Consumer loans using other internal credit metrics (b)			8,434	
Total loan balance	$ 4,612		$ 22,753	
Weighted-average updated FICO score (d)		732		744

(a) At June 30, 2015, we had $30 million of credit card loans that are higher risk (i.e., loans with both updated FICO scores less than 660 and in late stage (90+ days) delinquency status). The majority of the June 30, 2015 balance related to higher risk credit card loans was geographically distributed throughout the following areas: Ohio 17%, Pennsylvania 16%, Michigan 9%, New Jersey 8%, Illinois 7%, Florida 7% and Indiana 5%. All other states had less than 4% individually and make up the remainder of the balance. At December 31, 2014, we had $35 million of credit card loans that are higher risk. The majority of the December 31, 2014 balance related to higher risk credit card loans was geographically distributed throughout the following areas: Ohio 17%, Pennsylvania 16%, Michigan 9%, Illinois 7%, New Jersey 7%, Indiana 6%, Florida 6% and North Carolina 4%. All other states had less than 4% individually and make up the remainder of the balance.
(b) Other consumer loans for which updated FICO scores are used as an asset quality indicator include non-government guaranteed or insured education loans, automobile loans and other secured and unsecured lines and loans. Other consumer loans for which other internal credit metrics are used as an asset quality indicator include primarily government guaranteed or insured education loans, as well as consumer loans to high net worth individuals. Other internal credit metrics may include delinquency status, geography or other factors.
(c) Credit card loans and other consumer loans with no FICO score available or required generally refers to new accounts issued to borrowers with limited credit history, accounts for which we cannot obtain an updated FICO score (e.g., recent profile changes), cards issued with a business name, and/or cards secured by collateral. Management proactively assesses the risk and size of this loan portfolio and, when necessary, takes actions to mitigate the credit risk.
(d) Weighted-average updated FICO score excludes accounts with no FICO score available or required.

Troubled Debt Restructurings (TDRs)

See Note 3 Asset Quality in our 2014 Form 10-K for additional discussion on TDRs. We held specific reserves in the ALLL of $.3 billion and $.4 billion at June 30, 2015 and December 31, 2014, respectively, for the total TDR portfolio.

Table 61: Summary of Troubled Debt Restructurings

In millions	June 30 2015	December 31 2014
Total consumer lending	$ 2,002	$ 2,041
Total commercial lending	414	542
Total TDRs	$ 2,416	$ 2,583
Nonperforming	$ 1,208	$ 1,370
Accruing (a)	1,091	1,083
Credit card	117	130
Total TDRs	$ 2,416	$ 2,583

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

Table 62 quantifies the number of loans that were classified as TDRs as well as the change in the recorded investments as a result of the TDR classification during the first six months and second quarters of 2015 and 2014, respectively. Additionally, the table provides information about the types of TDR concessions. The Principal Forgiveness TDR category includes principal forgiveness and accrued interest forgiveness. These types of TDRs result in a write down of the recorded investment and a charge-off if such action has not already taken place. The Rate Reduction TDR category includes reduced interest rate and interest deferral. The TDRs

within this category result in reductions to future interest income. The Other TDR category primarily includes consumer borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to PNC, as well as postponement/reduction of scheduled amortization and contractual extensions for both consumer and commercial borrowers.

In some cases, there have been multiple concessions granted on one loan. This is most common within the commercial loan portfolio. When there have been multiple concessions granted in the commercial loan portfolio, the principal forgiveness concession was prioritized for purposes of determining the inclusion in Table 62. For example, if there is principal forgiveness in conjunction with lower interest rate and postponement of amortization, the type of concession will be reported as Principal Forgiveness. Second in priority would be rate reduction. For example, if there is an interest rate reduction in conjunction with postponement of amortization, the type of concession will be reported as a Rate Reduction. In the event that multiple concessions are granted on a consumer loan, concessions resulting from discharge from personal liability through Chapter 7 bankruptcy without formal affirmation of the loan obligations to PNC would be prioritized and included in the Other type of concession in the table below. After that, consumer loan concessions would follow the previously discussed priority of concessions for the commercial loan portfolio.

Table 62: Financial Impact and TDRs by Concession Type (a)

During the three months ended June 30, 2015		Pre-TDR	Post-TDR Recorded Investment (c)			
Dollars in millions	Number of Loans	Recorded Investment (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial lending						
Commercial	27	$ 38	$ 4	$ 2	$ 19	$ 25
Commercial real estate	9	4		1	2	3
Equipment lease financing	1					
Total commercial lending	37	42	4	3	21	28
Consumer lending						
Home equity	818	57		27	28	55
Residential real estate	78	12		6	6	12
Credit card	1,641	14		13		13
Other consumer	232	3		1	2	3

Total consumer lending	2,769	86		47	36	83
Total TDRs	2,806	$ 128	$ 4	$ 50	$ 57	$ 111

During the three months ended June 30, 2014

Dollars in millions						
Commercial lending						
Commercial	29	$ 48	$ 3	$ 4	$ 40	$ 47
Commercial real estate	23	40		4	32	36
Total commercial lending (d)	52	88	3	8	72	83
Consumer lending						
Home equity	561	40		9	29	38
Residential real estate	161	22		7	15	22
Credit card	1,717	14		14		14
Other consumer	222	4			3	3
Total consumer lending	2,661	80		30	47	77
Total TDRs	2,713	$ 168	$ 3	$ 38	$ 119	$ 160

Table 62: Financial Impact and TDRs by Concession Type (Continued) (a)

During the six months ended June 30, 2015		Pre-TDR	Post-TDR Recorded Investment (c)			
Dollars in millions	Number of Loans	Recorded Investment (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial lending						
Commercial	57	$ 91	$ 5	$ 2	$ 68	$ 75
Commercial real estate	17	14	1	1	4	6
Equipment lease financing	1					
Total commercial lending	75	105	6	3	72	81
Consumer lending						
Home equity	1,530	102		50	47	97
Residential real estate	148	20		11	10	21
Credit card	3,204	26		25		25
Other consumer	504	7		2	4	6
Total consumer lending	5,386	155		88	61	149
Total TDRs	5,461	$ 260	$ 6	$ 91	$ 133	$ 230
During the six months ended June 30, 2014						
Dollars in millions						
Commercial lending						
Commercial	63	$ 89	$ 3	$ 4	$ 78	$ 85
Commercial real estate	46	81	19	4	43	66
Total commercial lending (d)	109	170	22	8	121	151
Consumer lending						
Home equity	1,392	92		29	56	85
Residential real estate	280	40		13	27	40
Credit card	3,568	29		28		28
Other consumer	487	8			6	6
Total consumer lending	5,727	169		70	89	159
Total TDRs	5,836	$ 339	$ 22	$ 78	$ 210	$ 310

(a) Impact of partial charge-offs at TDR date are included in this table.

(b) Represents the recorded investment of the loans as of the quarter end immediately preceding TDR designation, and excludes immaterial amounts of accrued interest receivable.

(c) Represents the recorded investment of the TDRs as of the quarter end and immediately following the TDR designation, and excludes immaterial amounts of accrued interest receivable.

(d) During the three and six months ended June 30, 2014, there were no loans classified as TDRs in the Equipment lease financing loan class.

After a loan is determined to be a TDR, we continue to track its performance under its most recent restructured terms. In Table 63, we consider a TDR to have subsequently defaulted when it becomes 60 days past due after the most recent date the loan was restructured. The following table presents the recorded investment of loans that both (i) were classified as TDRs or were subsequently modified during each 12-month period preceding April 1, 2015, January 1, 2015, April 1, 2014 and January 1, 2014, respectively, and (ii) subsequently defaulted during these reporting periods.

Table 63: TDRs that were Modified in the Past Twelve Months which have Subsequently Defaulted

During the three months ended June 30, 2015

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	8	$ 3
Commercial real estate	1	1
Equipment lease financing	1	
Total commercial lending	10	4
Consumer lending		
Home equity	102	5
Residential real estate	60	8
Credit card	1,140	10
Other consumer	38	
Total consumer lending	1,340	23
Total TDRs	1,350	$ 27

During the three months ended June 30, 2014

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	23	$ 16
Commercial real estate	14	21
Total commercial lending (a)	37	37
Consumer lending		
Home equity	100	6
Residential real estate	51	11
Credit card	1,446	12
Other consumer	34	
Total consumer lending	1,631	29
Total TDRs	1,668	$ 66

During the six months ended June 30, 2015

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	13	$ 4
Commercial real estate	8	9
Equipment lease financing	1	
Total commercial lending (a)	22	13
Consumer lending		
Home equity	168	9
Residential real estate	71	10
Credit card	1,482	12
Other consumer	75	1
Total consumer lending	1,796	32
Total TDRs	1,818	$ 45

During the six months ended June 30, 2014

Dollars in millions	Number of Contracts	Recorded Investment
Commercial lending		
Commercial	33	$ 22
Commercial real estate	21	31
Total commercial lending (a)	54	53
Consumer lending		

Home equity	216	13
Residential real estate	76	14
Credit card	1,894	15
Other consumer	79	1
Total consumer lending	2,265	43
Total TDRs	2,319	$ 96

(a) During the three and six months ended June 30, 2014, there were no loans classified as TDRs in the Equipment lease financing loan class that have subsequently defaulted.

Impaired Loans

Impaired loans include commercial nonperforming loans and consumer and commercial TDRs, regardless of nonperforming status. TDRs that were previously recorded at amortized cost and are now classified and accounted for as held for sale are also included. Excluded from impaired loans are nonperforming leases, loans accounted for as held for sale other than the TDRs described in the preceding sentence, loans accounted for under the fair value option, smaller balance homogeneous type loans and purchased impaired loans. See Note 4 Purchased Loans for additional information. Nonperforming equipment lease financing loans of $3 million at June 30, 2015 and $2 million at December 31, 2014 are excluded from impaired loans pursuant to authoritative lease accounting guidance. We did not recognize any interest income on impaired loans that have not returned to performing status, while they were impaired during the six months ended June 30, 2015 and June 30, 2014. The following table provides further detail on impaired loans individually evaluated for impairment and the associated ALLL. Certain commercial impaired loans and loans to consumers discharged from bankruptcy and not formally reaffirmed do not have a related ALLL as the valuation of these impaired loans exceeded the recorded investment.

Table 64: Impaired Loans

In millions	Unpaid Principal Balance	Recorded Investment (a)	Associated Allowance (b)	Average Recorded Investment (c)
June 30, 2015				
Impaired loans with an associated allowance				
Commercial	$ 398	$ 305	$ 59	$ 305
Commercial real estate	367	196	41	230
Home equity	1,006	982	189	984
Residential real estate	478	362	58	398
Credit card	117	117	26	124
Other consumer	58	40	1	44
Total impaired loans with an associated allowance	$ 2,424	$ 2,002	$ 374	$ 2,085
Impaired loans without an associated allowance				
Commercial	$ 45	$ 38		$ 73
Commercial real estate	183	157		171
Home equity	421	147		144
Residential real estate	369	354		328
Total impaired loans without an associated allowance	$ 1,018	$ 696		$ 716
Total impaired loans	$ 3,442	$ 2,698	$ 374	$ 2,801
December 31, 2014				
Impaired loans with an associated allowance				
Commercial	$ 432	$ 318	$ 74	$ 360
Commercial real estate	418	262	65	283
Home equity	1,021	984	215	986
Residential real estate	397	420	75	422
Credit card	130	130	32	147
Other consumer	64	47	2	51
Total impaired loans with an associated allowance	$ 2,462	$ 2,161	$ 463	$ 2,249
Impaired loans without an associated allowance				
Commercial	$ 106	$ 84		$ 133
Commercial real estate	249	187		276
Home equity	403	145		134
Residential real estate	344	315		365
Total impaired loans without an associated allowance	$ 1,102	$ 731		$ 908
Total impaired loans	$ 3,564	$ 2,892	$ 463	$ 3,157

(a) Recorded investment in a loan includes the unpaid principal balance plus accrued interest and net accounting adjustments, less any charge-offs. Recorded investment does not include any associated valuation allowance.

(b) Associated allowance amounts include $.3 billion and $.4 billion for TDRs at June 30, 2015 and December 31, 2014, respectively.

(c) Average recorded investment is for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.

NOTE 4 PURCHASED LOANS

Purchased Impaired Loans

Purchased impaired loan accounting addresses differences between contractual cash flows and cash flows expected to be collected from the initial investment in loans if those differences are attributable, at least in part, to credit quality. Several factors were considered when evaluating whether a loan was considered a purchased impaired loan, including the delinquency status of the loan, updated borrower credit status, geographic information, and updated LTV. GAAP allows purchasers to account for loans individually or to aggregate purchased impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Purchased impaired homogeneous consumer, residential real estate and smaller balance commercial loans with common risk characteristics are aggregated into pools where appropriate, whereas commercial loans with a total commitment greater than a defined threshold are accounted for individually. For pooled loans, proceeds of individual loans are not applied individually to each loan within a pool, but to the pool s recorded investment since it is

accounted for as a single asset. Upon final disposition of a loan within a pool (*e.g.*, payoff, short-sale, foreclosure, *etc.*), the loan s carrying value is removed from the pool and any gain or loss associated with the transaction is retained in the pool s recorded investment. For example, upon final disposition of a loan by short-sale, the proceeds of the short-sale may be less (or more) than the loan s recorded investment. This shortfall or loss (excess or gain) is not accounted for as an individual loan sale in our income statement and is instead retained as part of the pool s recorded investment consistent with our accounting for the pool as a single asset. This treatment is designed to maintain a constant effective yield for recognition of interest income. Accordingly, a pool s recorded investment includes the net accumulation of realized losses or gains attributable to these final dispositions. As there are no future expected cash flows related to these dispositions, their net carrying value is $0. The recorded investment, including these realized losses and gains, is evaluated for collectability based upon the net present value of the pool s remaining expected cash flows when establishing our allowance for loan losses. See below and Note 1 Accounting Policies and Note 5 Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit for additional information.

The following table provides balances of purchased impaired loans at June 30, 2015 and December 31, 2014:

Table 65: Purchased Impaired Loans Balances

	June 30, 2015			December 31, 2014		
In millions	Outstanding Balance (a)	Recorded Investment	Carrying Value	Outstanding Balance (a)	Recorded Investment	Carrying Value
Commercial lending						
Commercial	$ 129	$ 50	$ 34	$ 159	$ 74	$ 57
Commercial real estate	217	185	134	307	236	174
Total commercial lending	346	235	168	466	310	231
Consumer lending						
Consumer	1,952	1,833	1,517	2,145	1,989	1,661
Residential real estate	2,184	2,397	1,925	2,396	2,559	2,094
Total consumer lending	4,136	4,230	3,442	4,541	4,548	3,755
Total	$ 4,482	$ 4,465	$ 3,610	$ 5,007	$ 4,858	$ 3,986

(a) Outstanding balance represents the balance on the loan servicing system for active loans. It is possible for the outstanding balance to be lower than the recorded investment for certain loans due to the use of pool accounting.

The excess of undiscounted cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized as interest income over the remaining life of the loan using the constant effective yield method. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference and is not recognized in income. Subsequent changes in the expected cash flows of individual or pooled purchased impaired loans will either impact the accretable yield or result in an impairment charge to provision for credit losses in the period in which the changes become probable. Decreases to

the net present value of expected cash flows will generally result in an impairment charge recorded as a provision for credit losses, resulting in an increase to the allowance for loan and lease losses, and a reclassification from accretable yield to non-accretable difference.

During the first six months of 2015, $12 million of provision recapture was recorded for purchased impaired loans compared to $95 million of provision recapture during the first six months of 2014. Charge-offs (which were specifically for commercial loans greater than a defined threshold) during the first six months of 2015 were $5 million compared to $24

million during the first six months of 2014. At both June 30, 2015 and December 31, 2014, the allowance for loan and lease losses on total purchased impaired loans was $.9 billion. At June 30, 2015, an allowance was recognized on each consumer purchased impaired loan pool. Subsequent increases in the net present value of cash flows will result in a provision recapture of any previously recorded allowance for loan and lease losses, to the extent applicable, and/or a reclassification from non-accretable difference to accretable yield, which will be recognized prospectively. Individual loan transactions where final dispositions have occurred (as noted above) result in removal of the loans from their applicable pools for cash flow estimation purposes. The cash flow re-estimation process is completed quarterly to evaluate the appropriateness of the allowance associated with the purchased impaired loans.

Activity for the accretable yield during the first six months of 2015 and 2014 follows:

Table 66: Purchased Impaired Loans   Accretable Yield

In millions	2015	2014
January 1	$ 1,558	$ 2,055
Accretion (including excess cash recoveries)	(252)	(309)
Net reclassifications to accretable from non-accretable (a)	146	208
Disposals	(9)	(18)
June 30	$ 1,443	$ 1,936

(a) Approximately 70% and 78% of the net reclassifications for the six months ended June 30, 2015 and 2014, respectively, were driven by the consumer portfolio and were due to improvements of cash expected to be collected on loans in future periods. The remaining net reclassifications were predominantly due to future cash flow changes in the commercial portfolio.

NOTE 5 ALLOWANCES FOR LOAN AND LEASE LOSSES AND UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

Allowance for Loan and Lease Losses

We maintain the ALLL at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the portfolios as of the balance sheet date. We use the two main portfolio segments   Commercial Lending and Consumer Lending   and develop and document the ALLL under separate methodologies for each of these segments as discussed in Note 1 Accounting Policies. A rollforward of the ALLL and associated loan data follows.

Table 67: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data

In millions	Commercial Lending	Consumer Lending	Total
June 30, 2015			
Allowance for Loan and Lease Losses			
January 1	$ 1,571	$ 1,760	$ 3,331
Charge-offs	(108)	(284)	(392)
Recoveries	134	88	222
Net (charge-offs) / recoveries	26	(196)	(170)
Provision for credit losses	20	80	100
Net change in allowance for unfunded loan commitments and letters of credit	13		13
Other	(2)		(2)
June 30	$ 1,628	$ 1,644	$ 3,272
TDRs individually evaluated for impairment	$ 35	$ 274	$ 309
Other loans individually evaluated for impairment	65		65
Loans collectively evaluated for impairment	1,461	582	2,043
Purchased impaired loans	67	788	855
June 30	$ 1,628	$ 1,644	$ 3,272
Loan Portfolio			
TDRs individually evaluated for impairment (a)	$ 414	$ 2,002	$ 2,416
Other loans individually evaluated for impairment	282		282
Loans collectively evaluated for impairment (b)	129,791	67,258	197,049
Fair value option loans (c)		941	941
Purchased impaired loans	235	4,230	4,465
June 30	$ 130,722	$ 74,431	$ 205,153
Portfolio segment ALLL as a percentage of total ALLL	50%	50%	100%
Ratio of the allowance for loan and lease losses to total loans	1.25%	2.21%	1.59%
June 30, 2014			
Allowance for Loan and Lease Losses			
January 1	$ 1,547	$ 2,062	$ 3,609
Charge-offs	(209)	(355)	(564)
Recoveries	149	84	233
Net charge-offs	(60)	(271)	(331)
Provision for credit losses	108	58	166
Net change in allowance for unfunded loan commitments and letters of credit	10		10
Other	(1)		(1)
June 30	$ 1,604	$ 1,849	$ 3,453
TDRs individually evaluated for impairment	$ 29	$ 407	$ 436
Other loans individually evaluated for impairment	118		118
Loans collectively evaluated for impairment	1,349	664	2,013
Purchased impaired loans	108	778	886
June 30	$ 1,604	$ 1,849	$ 3,453
Loan Portfolio			
TDRs individually evaluated for impairment (a)	$ 545	$ 2,121	$ 2,666
Other loans individually evaluated for impairment	526		526
Loans collectively evaluated for impairment (b) (d)	122,533	68,717	191,250
Fair value option loans (c) (d)		985	985
Purchased impaired loans	479	5,078	5,557
June 30	$ 124,083	$ 76,901	$ 200,984
Portfolio segment ALLL as a percentage of total ALLL	46%	54%	100%
Ratio of the allowance for loan and lease losses to total loans	1.29%	2.40%	1.72%

(a) TDRs individually evaluated for impairment exclude TDRs that were subsequently accounted for as held for sale loans, but continue to be disclosed as TDRs.
(b) Includes $174 million of loans collectively evaluated for impairment based upon collateral values and written down to the respective collateral value less costs to sell at June 30, 2015. Accordingly, there is no allowance recorded for these loans. The comparative amount as of June 30, 2014 was $232 million.
(c) Loans accounted for under the fair value option are not evaluated for impairment as these loans are accounted for at fair value. Accordingly, there is no allowance recorded on these loans.
(d) Prior period amounts were corrected to include transferred loans over which PNC regained effective control as fair value option loans. This resulted in an increase of $101 million in consumer lending fair value option loans and a corresponding decrease of $101 million in consumer lending loans collectively evaluated for impairment.

Allowance for Unfunded Loan Commitments and Letters of Credit

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable credit losses on these unfunded credit facilities as of the balance sheet date as discussed in Note 1 Accounting Policies. A rollforward of the allowance is presented below.

Table 68: Rollforward of Allowance for Unfunded Loan Commitments and Letters of Credit

In millions	2015	2014
January 1	$ 259	$ 242
Net change in allowance for unfunded loan commitments and letters of credit	(13)	(10)
June 30	$ 246	$ 232

NOTE 6 INVESTMENT SECURITIES

Table 69: Investment Securities Summary

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2015				
Securities Available for Sale				
Debt securities				
U.S. Treasury and government agencies	$ 5,931	$ 166	$ (2)	$ 6,095
Residential mortgage-backed				
Agency	20,629	331	(118)	20,842
Non-agency	4,357	284	(89)	4,552
Commercial mortgage-backed				
Agency	1,980	21	(7)	1,994
Non-agency	4,368	62	(8)	4,422
Asset-backed	5,377	82	(24)	5,435
State and municipal	2,010	59	(11)	2,058
Other debt	1,822	39	(7)	1,854
Total debt securities	46,474	1,044	(266)	47,252
Corporate stocks and other	428		(1)	427
Total securities available for sale	$ 46,902	$ 1,044	$ (267)	$ 47,679
Securities Held to Maturity (a)				
Debt securities				
U.S. Treasury and government agencies	$ 253	$ 37		$ 290
Residential mortgage-backed				
Agency	8,199	117	$ (58)	8,258
Non-agency	252	7		259
Commercial mortgage-backed				
Agency	1,142	48		1,190
Non-agency	812	13		825
Asset-backed	736	3	(6)	733
State and municipal	1,982	78		2,060
Other debt	307	6		313
Total securities held to maturity	$ 13,683	$ 309	$ (64)	$ 13,928
December 31, 2014				
Securities Available for Sale				
Debt securities				
U.S. Treasury and government agencies	$ 5,237	$ 186	$ (1)	$ 5,422
Residential mortgage-backed				
Agency	17,646	438	(41)	18,043
Non-agency	4,723	318	(99)	4,942
Commercial mortgage-backed				
Agency	2,178	23	(14)	2,187
Non-agency	4,085	88	(11)	4,162
Asset-backed	5,141	78	(32)	5,187
State and municipal	1,953	88	(3)	2,038
Other debt	1,776	43	(6)	1,813
Total debt securities	42,739	1,262	(207)	43,794
Corporate stocks and other	442		(1)	441
Total securities available for sale	$ 43,181	$ 1,262	$ (208)	$ 44,235
Securities Held to Maturity (a)				
Debt securities				
U.S. Treasury and government agencies	$ 248	$ 44		$ 292
Residential mortgage-backed				
Agency	5,736	166	$ (10)	5,892
Non-agency	270	13		283
Commercial mortgage-backed				
Agency	1,200	53		1,253
Non-agency	1,010	19		1,029
Asset-backed	759	2	(8)	753
State and municipal	2,042	111		2,153
Other debt	323	6		329

Total securities held to maturity	$ 11,588	$ 414	$ (18)	$ 11,984

(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 $110 million and $125 million at June 30, 2015 and December 31, 2014, respectively, related to securities transferred, which are offset in Accumulated Other Comprehensive Income, net of tax.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the securities available for sale portfolio are included in Shareholders equity as Accumulated other comprehensive income or loss, net of tax, unless credit-related. Securities held to maturity are carried at amortized cost. At June 30, 2015, Accumulated other comprehensive income included pretax gains of $93 million from derivatives that hedged the purchase of investment securities classified as held to maturity. The gains will be accreted into interest income as an adjustment of yield on the securities.

Table 70 presents gross unrealized losses on securities available for sale at June 30, 2015 and December 31, 2014. 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 70: Gross Unrealized Loss and Fair Value of Securities Available for Sale

In millions	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
June 30, 2015						
Debt securities						
U.S. Treasury and government agencies	$ (2)	$ 1,167			$ (2)	$ 1,167
Residential mortgage-backed						
Agency	(94)	7,736	$ (24)	$ 1,259	(118)	8,995
Non-agency	(5)	443	(84)	1,395	(89)	1,838
Commercial mortgage-backed						
Agency	(2)	429	(5)	150	(7)	579
Non-agency	(5)	1,504	(3)	339	(8)	1,843
Asset-backed	(5)	946	(19)	605	(24)	1,551
State and municipal	(8)	503	(3)	49	(11)	552
Other debt	(4)	332	(3)	139	(7)	471
Total debt securities	(125)	13,060	(141)	3,936	(266)	16,996
Corporate stocks and other			(1)	61	(1)	61
Total	$ (125)	$ 13,060	$ (142)	$ 3,997	$ (267)	$ 17,057
December 31, 2014						
Debt securities						