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STEVEN ROSS
(b) (6)

March 13, 2009

VIA HAND DELIVERY

Mr. Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, NW, Room 2124
Washington, DC 20220

Re: The PNC Financial Services Group, Inc.

Dear Mr. Barofsky:

On behalf of our client, The PNC Financial Services Group, Inc. (hereinafter "PNC"), we are providing the Special Inspector General with information in response to your request of February 6, 2009. We are providing these documents in both hard copy and on electronic disk.

The documents we are producing today are confidential and proprietary and have been marked accordingly. We ask that these documents be kept confidential by the Special Inspector General and his staff. The disclosure of such documents could result in substantial injury to the economic and competitive position of PNC. We therefore ask that the Special Inspector General provide us with notice and an opportunity to be heard before the Special Inspector General, notwithstanding our request that these documents be kept confidential, discloses any information from these documents to third parties.

Please let me know if you have any questions.

Sincerely,

Steven R. Ross
Counsel for PNC

Enclosures

The PNC Financial Services Group, Inc. ("PNC")
Response to Special Inspector General for TARP
Audit Questions

RESPONSE TO QUESTION 1.

(1)(a)-anticipated use of TARP funds

On December 31, 2008, the day PNC was to receive TARP Capital Purchase Program funds, it anticipated that the funds would primarily be utilized to allow PNC to re-establish National City Bank's (NCB) regulatory capital position to well-capitalized in order for both PNC Bank and NCB to continue serving the credit and deposit needs of existing and new customers.

(1)(b)-segregation of TARP funds

PNC received $7,579,200,000 from the U.S. Treasury transferred by wire into the general account. As further explained below, an almost equal amount was transferred later that day to enhance the regulatory capital position of NCB. Thereafter, TARP funds were not segregated from other institutional funds. (See attached Exhibit A: December 31, 2008 Wire Activity chart.)

(1)(c)-use of TARP funds

PNC used $7.15 billion in TARP funds to enhance the regulatory capital position of NCB, which had previously been acquired through the merger with National City Corporation, to attain a targeted 8% Tier I capital ratio. The remaining $1.65 billion necessary to complete the recapitalization represented cash available at National City Corporation at the time of the merger. This capital infusion into NCB was required for it to continue serving existing customers as well as to provide deposit and credit products to new customers. On a consolidated basis, the TARP proceeds also resulted in improvement to our overall capital and liquidity positions, supporting our overall banking businesses. (See attached Exhibit A.)

(1)(d)-expected use of unspent TARP funds

The balance of the funds not used for the recapitalization of NCB have been used, together with other operating funds, to augment the regulatory capital position of the entire entity and to support PNC's overall banking activity.

RESPONSE TO QUESTION 2-Executive Compensation

PNC will fully comply with all applicable limitations under the compensation and related rules under the TARP Capital Purchase Program and those yet to be adopted by the U.S. Treasury pursuant to the American Recovery and Reinvestment Act of 2009

("ARRA"). At present, PNC has taken the following steps, as required for Capital Purchase Program ("CPP") participants:

First, PNC has amended various benefit and compensation arrangements affecting "senior executive officers," as defined under the Emergency Economic Stabilization Act of 2008 ("EESA"). PNC amended plans or agreements that (1) provide for incentive or bonus compensation based on the achievement of performance goals tied to, or affected by, PNC's financial results or (2) provide for payments or benefits upon an applicable severance from employment. The amendments render a senior executive officer ineligible to receive compensation if the Committee determines that the plan or agreement includes incentives for the officer to take unnecessary and excessive risks that threaten the value of PNC. In addition, the amendments require a senior executive officer to forfeit any bonus or incentive compensation paid to the officer if based on financial statements that are later proven to be materially inaccurate. Finally, the amendments prohibit PNC from making any "golden parachute payments" (as defined for purposes of the CPP) to a senior executive officer in connection with that officer's applicable severance from employment.

Second, our senior executive officers all signed waivers of any claims that they might have as a result of the changes in their compensation or benefits resulting from compliance with the CPP.

Third, regulations require PNC's Personnel & Compensation Committee to meet with our senior risk officers to ensure that the senior executive officer incentive compensation arrangements do not encourage those officers to take unnecessary and excessive risks that threaten the value of the financial institution. The Committee met with management on multiple occasions in the first quarter of 2009 to review our compensation arrangements and satisfy this requirement. (See attached Exhibit B: Management Review of Incentives Reflected in PNC's Current Executive Compensation Structure provided to the Personnel & Compensation Committee.)

With regard to the executive compensation related provisions of ARRA, PNC awaits implementing guidance from the Treasury. PNC finalized its normal annual executive compensation decisions in February 2009, prior to enactment of ARRA and thus far has not made changes as a result of this new legislation. (See attached Exhibit C: Form 8-K filed February 13, 2009.) In making its normal annual executive compensations, PNC's Personnel & Compensation Committee met several times in January and the first half of February 2009 to review executive compensation. It did so specifically in the context of PNC's performance, both on absolute and relative-to-peer bases. The following are the significant changes made by the Committee in its early 2009 decisions.

- PNC paid all or a significant portion of the bonuses for 2008 in the form of restricted stock. Overall, the Committee believed that awarding bonuses for 2008 was reasonable and advisable, particularly in light of our strong relative performance and management's avoidance of many of the poor decisions and business strategies that have weakened many financial institutions and have caused others to fail or be acquired. However, the Committee strongly believed that limiting or eliminating the cash portion of the bonuses and tying a more significant amount of compensation to PNC's long-term stock price, as well as deferring the executives' ability to receive the cash value of this compensation, was appropriate given the acutely challenging circumstances facing our industry and economy. As a result, three out of the five senior executive officers, including the CEO, received no cash bonus, and the cash bonus for the other executives was capped at $250,000.

- PNC granted, in lieu of another form of long-term incentive compensation, performance options tied to quantitative and qualitative criteria related to the integration of the National City transaction

- PNC reduced the perquisite allowance from $50,000 to $10,000

- PNC required the three executives, including the CEO, who are required or permitted to use corporate aircraft for all personal travel to pay for all such trips

- PNC prohibited any tax "gross-ups" on perquisites

- PNC modified the peer group to reflect a dramatic reshaping of our industry and PNC's significant growth

NCC/PNC December 31, 2008 Wire Activity

(b) (4)

[redacted]

CONFIDENTIAL

EXHIBIT A

Management Review of
Incentives Reflected in PNC's
Current Executive Compensation Structure

Introduction

The regulations adopted to implement the Department of the Treasury's Troubled Asset Purchase Program, applicable to participants in the Capital Purchase Program such as PNC, require that PNC's Personnel and Compensation Committee meet at the outset of our participation in the Capital Purchase Program and annually thereafter with PNC's senior risk officers to "ensure that the SEO[1] incentive compensation arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution." Management is providing this review to assist the Personnel and Compensation Committee in its analysis of this issue as it applies to PNC's executive compensation programs.

PNC is committed to a moderate risk profile. As a result of this commitment, the way in which PNC conducts its business and manages its risk is focused on long-term business growth and stability rather than short-term revenue growth or profit maximization. The incentives built into our executive compensation structure are intended to be supportive of that approach. Management does not believe that these incentives, viewed in the entirety, should provide incentives to take unnecessary and excessive risks.

Key Risks Facing PNC

Financial services companies such as PNC, primarily involved in borrowing and lending funds and other transactions in financial instruments, are inherently in the business of managing risk. We take risk in every business decision we make every transaction in which we engage, and it is our responsibility to ensure that we have the enterprise risk management framework and risk management culture to manage this risk for the benefit of our shareholders. The key risks that threaten PNC resulting from management decision-making are those that arise in connection with large strategic transactions and those that arise as a result of policy decisions or widespread practices affecting many smaller discrete transactions in similar ways. In most cases, the risks presented by individual decisions or transactions are not significant enough to threaten our value.

A common element across these types of risks is that there is often a disconnect between the period in which the relevant decision is made or transaction engaged in and the period in which the risk comes to fruition and starts putting the value of the institution at risk.

Executive Compensation Program and Risk

The PNC executive compensation program[2] blends a number of components that are intended to work together to enable PNC to attract, motivate and retain high quality executives. Our compensation program is designed to encourage management of risk and discourage inappropriate risk-taking by granting a diverse portfolio of incentive compensation awards to our executives that is expected to reward over time behavior that matches the desired moderate risk profile for the organization. Specifically, the portfolio of awards is balanced between fixed and variable compensation; cash and equity-based compensation; and annual and long-term incentive compensation. Awards are based on

[1] SEO is an abbreviation of "senior executive officer." Generally, including for 2008, the senior executive officers are the same as the five executive officers included in our annual meeting proxy statement as "named executive officers."
[2] This discussion relates to the program as in effect at the end of 2008 (which in substance was identical to that in effect for the preceding several years). Any changes that the Committee implements for 2009 will need to be reviewed separately.

the Committee's assessment of a variety of quantitative and qualitative performance measurements both on an absolute and a relative basis. Compensation decisions also take into consideration other factors such as competition for top talent, benchmarking pay levels for comparable jobs provided to the Committee by third-party compensation consultants, and the need to attract, develop, grow and retain the leadership team.

The three primary incentive compensation components are:

- Annual bonus, partially paid in cash and partially paid in restricted stock that vests in three years.
- Stock options that vest in equal annual increments over three years.
- Incentive shares, which are awarded in share-denominated units and are paid out after three years depending on corporate performance during the three-year period. Bill Demchak participates in an additional incentive share program tied specifically to the performance of the asset and liability management group. As a result, his overall compensation is more heavily weighted to equity-based compensation in general and incentive shares in particular than the other executive officers.

The following are the key attributes of PNC's incentive compensation program. Percentages reflect the compensation awarded early in the year by the Committee[3] to our five named executive officers over the past two years.

- No one element of compensation typically represents more than one-third of total compensation.
- Almost 90% of total compensation awarded to these five individuals is in the form of incentive compensation.
- Compensation includes both short-term incentives and long-term incentives, but is weighted more to long-term incentives (approximately 65% to 75% of total incentive compensation).
- Other than the cash portion of the annual bonus (typically 25% to 35% of total incentive compensation), the ultimate value of the compensation to the executive is in each case at least partially dependent on the performance of PNC's stock over time.
  - Generally, a majority of this value at grant is in the form of grants of full value shares or share equivalents, with the largest single component being the incentive shares.
  - The most leveraged portion of our compensation program (that is, stock options) constitutes approximately one-third of total equity-based grants.
- PNC's equity ownership guidelines require executives to hold a minimum amount of equity and equity equivalents (not including the shares underlying unexercised options), measured as a percentage of base salary. This supports the linkage between executive and shareholder interests reflected in the use of equity in incentive compensation programs.
- To the extent that incentive compensation is based on performance metrics (as is the case in the annual bonus and incentive share programs), it generally requires meaningful improvements in performance to drive meaningful increases in compensation. Governance controls make it difficult for management to take steps that would inappropriately produce significantly enhanced bottom-line corporate performance, particularly over the longer term that would be required to overcome the longer term nature of much of the incentive compensation.
  - The annual bonus determinations, which look to a variety of performance metrics, have no direct formulaic tie between those metrics and either a base line or Committee-adjusted bonus payout.

[3] For these purposes, the annual compensation decisions referred to relate to salary, bonus, and grants of equity-based incentive compensation and do not include compensation decisions related to post-employment compensation such as pension and savings plans and change in control benefits, regardless of the committee meeting at which these decisions are made. Perquisites, which also are not part of annual compensation decisions are, under current PNC practices and policy, a very small component of total executive compensation.

- The general incentive share program formulaically calculates a final payout amount (which remains subject to Committee review and potential downward adjustment). The formula is based on the average of six percentages—one for each of relative EPS growth and ROCE performance in each of three years. The translation of relative performance rankings into percentages is generally structured on curve rather than a stairstep basis. The way the formula operates, therefore, does not encourage discrete business decisions designed to drive increases in payouts in the short-term at the expense of long-term performance.
- The Demchak incentive share program is structure similarly to the general one, using instead of EPS growth and ROCE performance against the index used internally to measure asset and liability management performance.

- Generally an executive contemplating retirement within a year or two remains incentivized to consider the longer term (that is, post-retirement) effects of his or her current business efforts. The equity-based grants are not forfeited on retirement (other than recently granted options and the post-retirement period under the incentive share program) but continue to be able to vest or pay out in accordance with the original schedule. In addition, the Committee retains negative discretion with respect to the incentive share program exercised at the end of the program, so that it could adjust an award to reflect the consequences of business efforts that did not become apparent until following retirement.

It should be noted that there have been two instances in the last two years of significant additional incentive compensation on top of the normal programs. First, in early 2007, Jim Rohr received an extra bonus of $2.5 million, which was entirely paid in the form of three-year cliff vesting preferred stock. Then, in the summer of 2008, most of the executive officers (including all of the senior executive officers) received grants of stock options with a performance element to the vesting, requiring achievement of a stock price at least 120% above grant date fair value at a point following three years after grant. Each of these has incentive aspects similar to those presented by analogous grants under the standard programs and should not alter the overall incentives offered by the totality of all current incentive compensation.

Conclusion

PNC's management does not believe that PNC's executive incentive compensation programs, as implemented over the past several years, should be viewed as encouraging its senior executive officers to take unnecessary and excessive risks that threaten the value of the financial institution. The programs, viewed in their totality (and recognizing the diversity and balance among the various components of these programs), are designed instead to encourage executive management to work to build shareholder value over the long-term.

* * *

Included as an Appendix to the Committee materials for information purposes are

- Exhibit I: Executive Compensation and risk incentive aspects,
- Exhibit II: PNC's risk management governance, and

Management Review of
Incentives Reflected in Proposed 2009 Modifications to
PNC's Executive Compensation Structure

Introduction

The regulations adopted to implement the Department of the Treasury's Troubled Asset Purchase Program, applicable to participants in the Capital Purchase Program such as PNC, require that PNC's Personnel and Compensation Committee meet at the outset of our participation in the Capital Purchase Program and annually thereafter with PNC's senior risk officers to "ensure that the SEO[1] incentive compensation arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution." Management provided a review in connection with the Personnel and Compensation Committee's January 25, 2009 meeting to assist the Committee in its analysis of this issue as it applies to PNC's executive compensation programs. This additional review is being provided by management with respect to the elements of the compensation decisions being made in February 2009 that are different from those made in the first quarter of 2008. To the extent that the 2009 decisions are consistent with the 2008 ones, management believes the prior analysis continues to be appropriate.

PNC is committed to a moderate risk profile. Although at present PNC does not meet that desired profile and is instead working towards returning to it, as a result of this commitment the way in which PNC conducts its business and manages its risk is focused on long-term business growth and stability rather than short-term revenue growth or profit maximization. The incentives built into our executive compensation structure are intended to be supportive of that approach. Management does not believe that these incentives, viewed in the entirety, should provide incentives to take unnecessary and excessive risks.

Key Risks Facing PNC

In addition to the key risks noted generally in the prior risk analysis, it is appropriate at this time in determining the nature of incentive compensation being provided to executive management to take into account the significant risk to PNC represented by the National City acquisition and the need to accomplish the integration of National City into PNC over the next several years. This risk is only increased due to the current economic and financial environment. PNC's ability to deliver long-term value to its shareholders is substantially dependent over the next several years on its ability to integrate National City effectively and to respond to the current environment with a long-term perspective.

2009 Changes to Executive Compensation Program and Risk

There are two significant changes to the PNC executive compensation program being proposed in connection with the first quarter 2009 decisions being made by the Committee.

First, no member of the management Executive Committee (consisting of eight senior members of executive management, including all of the SEOs) will receive more than $250,000 of his or her bonus in the form of cash. The remainder will be delivered in the form of time-vested restricted stock having a value equal to the bonus that would otherwise historically have been paid in cash. In the case of three of the five SEOs (Jim Rohr, Bill Demchak and Rick Johnson), they will receive no cash bonus at all. Instead, they will receive the entire value of their bonuses in the form of time-vested restricted stock.

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[1] SEO is an abbreviation of "senior executive officer." Generally, including for 2008, the senior executive officers are the same as the five executive officers included in our annual meeting proxy statement as "named executive officers."

Ordinarily, any compensation element that increases the portion of the total value of the compensation that is at risk for future stock performance should limit the incentive for management to take inappropriate risks. Management views this approach to bonus compensation this year as fully in alignment with the overall approach to encouraging appropriate risk-taking, while discouraging that which is inappropriate, through the incentives reflected generally in the overall executive compensation program. Management also views the change to a greater equity component of the bonus for this year as particularly valuable in aligning executive interests with the interests of shareholders given the extraordinary challenges likely to be faced over the next several years.

Second, rather than granting new incentive shares analogous to that issued in 2006, 2007, and 2008, the members of executive management who would otherwise have received incentive shares (including all five SEOs) will be granted performance stock options. These options, which will have an exercise price equal to market value on the grant date, will cliff vest in three years upon a determination by the Committee that eight performance factors, all tied to the National City integration, have been met. The performance factors, which are both quantitative and qualitative, are aligned with our public statements regarding what we believe we can accomplish through the acquisition and subsequent integration. Although the factors are not directly tied to the need to deal effectively with current economic and market conditions, at least several of them will be hard to achieve if PNC fails to do so. Determination of whether or not PNC meets these factors will not be in the hands of management but rather in the discretion of the Committee, taking advantage of reports provided by management as well as its own evaluation.

The use of this metric, rather than the traditional relative performance against peers in EPS growth and ROCE found in the traditional incentive share grants, seems appropriate this year for the following reasons:

- It ties into the need to complete the National City integration successfully, which as noted above, is one of the biggest risk situations currently faced by PNC and likely to be one of the biggest drivers of long-term shareholder value.
- Trying to set up a fair and appropriate peer comparison metric is very difficult at the present time due to the disruption in the industry, including the acquisition or failure of a number of major financial institutions. In addition, a number of peers have shown very poor results in recent periods, which may set a very low baseline, making it harder for PNC to demonstrate statistically good relative performance.

Management believes that incentivizing executives to manage towards a successful integration is not likely to lead to inappropriate risk-taking, particularly given the use of eight separate performance factors measuring a range of different types of proof points for a successful integration. The proof points range from several that are relatively objective and granular (such as annualized cost savings) to those that are more subjective and holistic (for example, well-positioned for future growth). As a result, the way the incentives reflected in these options are structured should discourage managing to an individual metric rather than for the overall best performance of the company.

Management continues to believe that relative performance against our peers is important and should be an important factor in executive incentive compensation. The continued use of relative performance in the bonus program as well as in the existing two incentive share programs should continue to maintain that form of incentives at an appropriate level.

This increase in the use of options rather than full value shares or share equivalents (as is found in the incentive share program) is balanced by the substantial increase in full value shares resulting from the shift for all of the SEOs of all or a portion of the bonus from cash to shares. In addition, the options will only offer value if the vesting criteria have been met, and will likely only offer significant value if the company has done a very good job dealing with the key risk issues faced over the next several years. Thus, management believes that the use of these types of options, in light of the additional leverage they offer, helps reinforce the incentives to complete the integration successfully. A very successful integration, combined with successfully navigating the current environment, will provide significant upside to the senior executives, while mediocre performance in these regards is likely to provide little if any value at or near the time of vesting.

Summary

In summary, even with these changes for this year, management believes that the benefits of PNC's balanced approach to incentive compensation shown over the last several years is being maintained, with the change in balance to more equity-based and less cash for this year supportive of management of risk over the long-term and alignment of executives with shareholder interests. The new incentive stock options are designed to be directly aligned with the most significant risk management issues facing the company.

Thus, PNC's management does not believe that PNC's executive incentive compensation programs, as modified for 2009, should be viewed as encouraging its senior executive officers to take unnecessary and excessive risks that threaten the value of the financial institution. The programs, viewed in their totality (and recognizing the diversity and balance among the various components of these programs), are designed instead to encourage executive management to work to build shareholder value over the long-term.

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

February 13, 2009
Date of Report (Date of earliest event reported)

THE PNC FINANCIAL SERVICES GROUP, INC.
(Exact name of registrant as specified in its charter)

Commission File Number 001-09718

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**25-1435979** **(I.R.S. Employer 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)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXHIBIT C

CERTIFICATION

I, William S. Demchak, having reviewed the attached response and supporting documents, and based on my knowledge and subject to the requirements set forth in Title 18, United States Code, Section 1001, certify that they are accurate.

William S. Demchak

William S. Demchak
Senior Vice Chairman
The PNC Financial Services Group, Inc.

March 13, 2009
Date