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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
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New York, New York 10017

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**Corporate Decision #2006-11**  
**October 2006**

September 14, 2006

Mr. Kevin Roy Glass  
Vice President, Treasury and Finance  
The PNC Financial Services Group, Inc.  
One PNC Plaza  
249 Fifth Avenue, 10th Floor  
Pittsburgh, PA 15222

Re: Application for prior approval to have qualify as Tier 1 capital minority interests created as a result of the sale of perpetual preferred Series A securities to an outside investor.  
Application Control # 2006-NE-12-0204 Charter No.1316

Dear Mr. Glass:

This letter responds to your application received on July 10, 2006 and the additional information filed on behalf of PNC Bank, National Association (Bank). Bank requests prior approval for the minority interests created by the sale of preferred stock by an indirect subsidiary to a third party to be treated as Tier 1 capital of the Bank. Bank also requests the Comptroller of the Currency (OCC) provide a non-objection to the terms of a proposed change to the Bank's articles of association authorizing a class of Bank preferred stock.

Bank currently indirectly owns PNC REIT Corp (REIT Corp), a Delaware qualified real estate investment trust for federal tax purposes. REIT Corp will establish PNC Preferred Funding LLC (Funding LLC), which will engage only in activities that are permissible for a REIT. REIT Corp will transfer up to \$1.65 billion in 1-4 family mortgages in exchange for common securities of Funding LLC, and Bank will transfer \$250 million in 1-4 family mortgages in exchange for a like amount of non-cumulative exchangeable perpetual preferred Series A securities (LLC Preferred). Bank will sell the LLC Preferred to a third party.

Based on a thorough review of all information available, including the representations and commitments made in the application, in subsequent telephone conversations and by Bank's representatives, the OCC has approved the application subject to the following condition:

Bank shall: (i) give the OCC's Large Bank Supervision at least sixty (60) days prior written notice of its intent to significantly deviate or change from the business plan and LLC Preferred

terms described herein<sup>1</sup> and (ii) shall obtain the OCC's written determination of no objection before the Bank either engages in any significant deviation or change from its business plan or LLC Preferred terms. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to Bank's notice.

This condition is a condition "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

No action is being taken at this time with respect to the Articles of Association. In accordance with 12 USC 21a, a certified copy of the amendment to the bank's articles of association adopted by the shareholder to establish bank-level preferred securities should be forwarded to this Office.

The OCC believes that the terms of the LLC Preferred described within your application satisfy both the noncumulative and perpetual requirements for Tier 1 capital as defined in Section 2(a) of Appendix A of 12 CFR 3. Therefore, the LLC Preferred are eligible to be included in Tier 1 capital. The OCC considers the LLC Preferred an innovative capital instrument.<sup>2</sup> Since the Funding LLC will engage only in activities permissible for a REIT, the LLC preferred will be subject to the same limits applied to preferred shares issued by a REIT subsidiary of a national bank. The amount of LLC Preferred included in Tier 1 capital should not exceed 25 percent of Tier 1 capital. The total amount of all innovative capital instruments included in Tier 1 capital may not exceed 25 percent of Tier 1 capital. Any aggregate amount of innovative capital instruments exceeding 25 percent of Tier 1 capital is eligible to be included in Bank's Tier 2 capital. However, the amount of innovative capital instruments in conjunction with any term subordinated debt or intermediate term preferred stock and related surplus included in Tier 2 capital may not exceed 50 percent of Tier 1 capital. Any dividends paid by Funding LLC on the LLC Preferred are to be treated as dividends paid by the bank. As such, the dividends paid by Funding LLC are subject to 12 USC 56 and 60.

This eligibility applies only to the LLC preferred that meet the description within your application. You should notify this office in writing upon consummation of the proposed transaction so that we can update our records accordingly.

The change in capital should be completed within one year of the date of this letter.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the United States, or any officer or employee of the U. S., and do not affect the ability of the OCC to exercise its supervisory,

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<sup>1</sup> If such deviation is the subject of an application filed with the OCC, the OCC does not require any further notice to the supervisory office.

<sup>2</sup> Innovative capital instruments are noncumulative, perpetual preferred stock issued by a consolidated subsidiary of a bank and approved by the OCC as eligible for inclusion in Tier 1 capital.

regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U. S.

If you have questions, contact the undersigned at (212) 790-4055.

Sincerely,

/s/

Beverly L. Evans  
Director for District Licensing