



Comptroller of the Currency
Administrator of National Banks

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**Conditional Approval #794
April 2007**

March 20, 2007

Mr. Kevin Roy Glass
Vice President, Treasury and Finance
PNC Bank, National Association
One PNC Plaza
249 Fifth Avenue, 10th Floor
Pittsburgh, PA 15222

Re: Application by PNC Bank, National Association, Pittsburgh, Pennsylvania for (1) prior approval to have qualify as Tier 1 capital minority interests created as a result of the sale of perpetual preferred Series B securities of between \$500 and \$700 million to an outside investor and (2) approval of the redemption of an equal amount of bank preferred securities that currently qualify as a component of PNC Bank, National Association's Tier 1 capital subject to quantitative limits

Application Control No. 2007-NE-12-0047

Charter No.1316

Dear Mr. Glass:

This letter responds to your application received on February 27, 2007 and the additional information filed on behalf of PNC Bank, National Association ("Bank"). Bank requests prior approval and confirmation from the Office of the Comptroller of Currency ("OCC") that a second series of preferred securities ("Series B LLC Preferred")¹ of between \$500 and \$700 million, to be issued by PNC Preferred Funding LLC ("LLC"), an indirect subsidiary of PNC Bank and a direct subsidiary of PNC REIT Corp. ("PNC REIT"), will qualify (together with other innovative capital elements) as a Tier 1 capital element up to 25% of PNC Bank's Tier 1 capital. Bank also requests OCC approval of the redemption of an equal amount of bank preferred securities issued by PNC Bank Capital Securities, LLC and PNC Bank Capital Securities II, LLC ("Bank Preferred Securities") that currently qualify as a component of Bank's Tier 1 capital subject to quantitative limits. The Bank Preferred Securities redemption will be contingent upon and subsequent to the issuance of the Series B LLC Preferred by the LLC, and the amount of such redemptions will be approximately equal to the net proceeds from the Series B LLC Preferred securities offering.

¹ See 2006 NE 12 0204 for Tier 1 approval, dated September 14, 2006, on sale of perpetual preferred Series A securities.

Based on a thorough review of all information available, including the representations and commitments made in the application, other correspondences and subsequent telephone conversations with the 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 Series B LLC Preferred terms described herein², and (ii) 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 Series B 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.

The OCC believes that the terms of the Series B 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. Since the Bank anticipates that the Series B LLC Preferred will be offered with a fixed rate dividend that resets to a floating rate dividend in year 5, to qualify as a Tier 1 capital instrument, the instrument's formula for the floating rate dividend must be in compliance with OCC policy on step-ups. To ensure compliance, the Bank should provide the OCC with the expected dividend rate formulas prior to consummation of the proposed transaction as well as the final dividend rates upon sale of the Series B LLC Preferred securities. If the dividend rate formulas are in compliance with OCC policy, then the Series B LLC Preferred will be eligible to be included in Tier 1 capital of the Bank.

The OCC considers the Series B LLC Preferred an innovative capital instrument.³ Since the LLC will engage only in activities permissible for a REIT, the Series B 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 Series B 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 LLC on the Series B LLC Preferred are to be treated as dividends paid by the Bank. As such, the dividends paid by LLC are subject to 12 USC 56 and 60.

² 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.

³ 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.

This eligibility applies only to the Series B LLC Preferred that meets 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 U. S., or any officer or employee of the U. S., and do not affect the ability of the OCC to exercise its supervisory, 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/

J. Greg Parvin
Director for District Licensing