



The PNC Financial Services Group, Inc.
Basel III Pillar 3 Report: Standardized Approach
March 31, 2015

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INTRODUCTION

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. PNC has businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking, providing many of its products and services nationally, as well as other products and services in PNC's 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. PNC also provides certain products and services internationally. At March 31, 2015, consolidated total assets, total deposits and total shareholders' equity were \$351.0 billion, \$236.5 billion and \$45.0 billion, respectively.

PNC is a bank holding company registered under the Bank Holding Company Act of 1956 and a financial holding company under the Gramm-Leach-Bliley Act. PNC provides its products and services primarily through PNC's only insured depository institution subsidiary, PNC Bank, National Association (PNC Bank).

This report (Pillar 3 Report) provides information about PNC's capital structure, risk exposures, risk assessment processes, risk-weighted assets and overall capital adequacy and should be read in conjunction with PNC's Securities and Exchange Commission (SEC) filings, including the Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) and Quarterly Report on Form 10-Q for the period ended March 31, 2015 (March 31, 2015 Form 10-Q). These SEC filings are available at www.pnc.com/secfilings.

Basis of Consolidation

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 that are required to be consolidated under accounting principles generally accepted in the United States of America (GAAP). We have eliminated intercompany accounts and transactions. The basis for consolidation for regulatory capital calculations is the same as that used in the presentation of PNC's consolidated financial statements, which is described in further detail in Note 1, Accounting Policies, of our March 31, 2015 Form 10-Q and 2014 Form 10-K. We have one deduction related to consolidated insurance underwriting subsidiaries where we deduct their minimum regulatory capital requirement.

Basel III Overview

PNC and PNC Bank are subject to the regulatory capital requirements established by the Board of Governors of the Federal Reserve System (Federal Reserve) and the Office of the Comptroller of the Currency (OCC), respectively. These requirements have changed as a result of the rules adopted by the U.S. banking agencies in July 2013 to implement the new international guidelines for determining regulatory capital established by the Basel Committee on Banking Supervision (Basel Committee) known as "Basel III," as well as to implement certain provisions of Dodd-Frank. The rules adopted in July 2013 generally have three fundamental parts.

The first part, referred to as the Basel III capital rule, among other things, narrows the definition of regulatory capital, requires banking organizations with \$15 billion or more in assets (including PNC) to phase-out trust preferred securities from Tier 1 regulatory capital, establishes a new common equity Tier 1 capital regulatory requirement for banking organizations, and revises the capital levels at which PNC and PNC Bank would be subject to prompt corrective action. The Basel III capital rule became effective on January 1, 2014 for PNC and PNC Bank, although many provisions are phased-in over a period of years, with the rules generally fully phased-in as of January 1, 2019.

The second part of the rules adopted in July 2013 is referred to as the advanced approaches and materially revises the framework for the risk-weighting of assets under Basel II. The Basel II framework, which was adopted by the Basel Committee in 2004, seeks to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. Prior to fully implementing the advanced approaches to calculate risk-weighted assets, PNC and PNC Bank must successfully complete a "parallel run" qualification phase. PNC and PNC Bank entered this parallel run qualification 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. banks that have all had multi-year parallel run periods.

The third major part of the rules adopted in July 2013 is referred to as the standardized approach and materially revises the framework for the risk-weighting of assets under Basel I. The standardized approach, for example, establishes a new framework for the risk-weighting of securitization and non-U.S. sovereign exposures, and increases the risk-weights on certain types of assets including high-volatility commercial real estate and past due corporate and retail exposures. The standardized approach took effect on January 1, 2015.

The risk-based capital and leverage rules that the federal banking regulators have adopted require the capital-to-assets ratios of banking organizations, including PNC and PNC Bank, to meet certain minimum standards. The Basel III rule generally divides regulatory capital into three components: common equity Tier 1 capital, additional Tier 1 capital (which, together with common equity Tier 1 capital, comprises Tier 1 capital) and Tier 2 capital. Common equity Tier 1 capital is generally common stock, retained earnings, qualifying minority interest and, for advanced approaches banking organizations, accumulated other comprehensive income, less the deductions required to be made from common equity Tier 1 capital. Additional Tier 1 generally includes, among other things, perpetual preferred stock and qualifying minority interests, less the deductions required to be made from additional Tier 1. Tier 2 capital generally comprises qualifying subordinated debt. Total capital is the sum of Tier 1 and Tier 2 capital, less the deductions required from total capital.

Under the regulatory capital rules, a banking organization's risk-based capital ratios are calculated by allocating assets and specified off-balance sheet financial instruments into risk-weighted categories (with higher levels of capital being required for the categories perceived as representing greater risk), which are used to determine the amount of a banking organization's total risk-weighted assets. Under the standardized approach, the nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are generally multiplied by one of several risk adjustment percentages set forth in the rules and that increase as the perceived credit risk of the relevant asset increases. For certain types of exposures, such as securitization exposures, the standardized approach establishes one or more methodologies that are to be used to calculate the risk-weighted asset amount for the exposure.

As a result of the staggered effective dates of the final U.S. Basel III 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). 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. We refer to the capital ratios calculated using the phased-in Basel III provisions in effect for 2015 as the 2015 Transitional Basel III ratios. The 2015 Transitional Basel III regulatory capital ratios for PNC as of March 31, 2015 exceeded the applicable minimum levels in effect for 2015. For additional information regarding the 2015 Transitional Basel III capital ratios for PNC as of March 31, 2015, as well as the levels necessary to exceed the regulatory minimums and those needed to be considered "well capitalized", see the Capital portion of the Consolidated Balance Sheet Review section of Item 7 of the March 31, 2015 Form 10-Q.

The Basel III rules also include public disclosure requirements that generally apply to banking organizations with total consolidated assets of \$50 billion or more, including PNC. An advanced approaches banking organization that meets the \$50 billion asset threshold, but that has not exited parallel run, such as PNC, must make the disclosures required under the standardized approach. Accordingly, the disclosures by PNC in this Pillar 3 Report include those required by the standardized approach. PNC is the top-tier entity within the PNC organization to which the standardized approach applies. In addition, PNC has more than \$1 billion in aggregate quarterly average trading assets and trading liabilities, and is subject to the market risk capital rule as amended (the "Market Risk Rule"). This Pillar 3 Report also includes PNC's required disclosures under the Market Risk Rule.

CAPITAL

Summary of Capital

PNC's regulatory capital structure consists of the following capital instruments:

Common Stock

PNC has \$5 par value common stock. At March 31, 2015, there were 800 million shares authorized, and 541 million shares issued, of which 21 million shares were held in treasury at cost. Holders of PNC common stock are entitled to receive dividends when declared by PNC's Board of Directors out of funds legally available for this purpose. See Part II, Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities in our 2014 Form 10-K for additional information on our common stock.

Preferred Stock

See Note 17, Equity, in our 2014 Form 10-K for information on our preferred stock as well as the Liquidity Risk Management section in our March 31, 2015 Form 10-Q for the May 2015 redemption of our Series K preferred stock.

Trust Preferred Capital Securities

At March 31, 2015, PNC had \$206 million in principal amount of an outstanding junior subordinated debenture associated with \$200 million of trust preferred securities that were issued by a subsidiary statutory trust. See Note 12, Capital Securities of Subsidiary Trusts and Perpetual Trust Securities, in our 2014 Form 10-K for additional information on these instruments.

Qualifying Subordinated Debt

PNC had \$5.2 billion in subordinated debt that qualified as Tier 2 capital for the Transitional Basel III ratio at March 31, 2015. The interest rates on our subordinated debt range from 0.62% to 6.88% and maturities range from 2015 through 2025.

Restrictions on Transfer of Funds or Total Capital

Federal law and regulations place a variety of restrictions on the ability of PNC to transfer funds or total capital among entities within the PNC group. See Note 20, Regulatory Matters, in our 2014 Form 10-K for additional information on these restrictions.

Capital Adequacy

PNC's overall capital planning objective is to maintain sufficient capital resources, both in terms of quantity and quality, to cover all of the firm's risks and allow the firm to operate effectively through a range of economic environments. PNC's internal capital adequacy assessment process (ICAAP) supports this overall objective by taking into account capital stress testing results, capital and liquidity positions and other risk considerations. In addition, the ICAAP has a sound risk management infrastructure, including but not limited to, the thorough review and consideration of alternate economic scenarios as well as enterprise, operational, market, idiosyncratic, and model risks. The Board of Directors and senior management use the firm's ICAAP results to assess the level of capital that is appropriate for the firm to maintain in light of the range of risks facing the firm, the firm's business strategy, and its risk appetite. Sound capital stress testing practices and methodologies are a key component of PNC's ICAAP.

In addition to the ICAAP, PNC is subject to the Federal Reserve's capital plan rule, annual capital stress testing requirements and Comprehensive Capital Analysis and Review (CCAR) process, as well as the annual and mid-year Dodd-Frank capital stress testing requirements of the Federal Reserve and the OCC. As part of the CCAR process, the Federal Reserve undertakes a supervisory assessment of PNC's capital adequacy. This assessment is based on a review of a comprehensive capital plan submitted by PNC to the Federal Reserve that describes the company's planned capital actions during the nine-quarter review period, as well as the results of stress tests conducted by both the company and the Federal Reserve under different hypothetical macroeconomic scenarios, including a supervisory adverse and a supervisory severely adverse scenario provided by the Federal Reserve. After completing its review, the Federal Reserve may object or not object to PNC's proposed capital actions, such as plans to pay or increase common stock dividends, repurchase common stock, or redeem preferred stock or other regulatory capital instruments.

Capital Ratios

PNC utilizes pro forma fully phased-in Basel III and the Transitional Basel III capital ratios to assess its capital position. These Basel III capital ratios and estimates may be impacted by any additional regulatory guidance or analysis by PNC as to the application of the rules to PNC.

At March 31, 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%. For information on PNC Bank's capital ratios, see PNC Bank's call report for the period ended March 31, 2015.

The following table outlines the 2015 Transitional Basel III and pro forma fully phased-in Basel III ratios for PNC as of March 31, 2015:

Table 1: Capital Ratios (a)

In millions	March 31, 2015	
	2015 Transitional Basel III (b)	Pro forma Fully Phased-In Basel III (c) (d)
PNC		
Regulatory capital		
Common equity Tier 1 capital	\$ 30,952	\$ 30,218
Tier 1 capital	\$ 35,476	\$ 34,110
Total capital	\$ 44,326	\$ 39,123
Risk-weighted assets		
Basel III standardized approach risk-weighted assets	\$ 295,114	\$ 302,784
Estimated Basel III advanced approaches risk-weighted assets	N/A	\$ 287,293
Average quarterly adjusted total assets	\$ 337,960	\$ 337,046
Risk-based capital and leverage ratios		
Common equity Tier 1	10.5 %	10.0 % (e)
Tier 1	12.0 %	11.3 % (e)
Total	15.0 %	13.6 % (f)
Leverage	10.5 %	10.1 %

(a) See the Basel III Capital table in the Consolidated Balance Sheet Review section in our March 31, 2015 Form 10-Q for additional information on the elements, adjustments and deductions of our consolidated regulatory capital.

(b) Calculated using the regulatory capital methodology applicable to PNC during 2015.

(c) 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.

(d) 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.

(e) Pro forma fully phased-in Basel III capital ratio based on estimated Basel III standardized approach risk-weighted assets and rules.

(f) Pro forma fully phased-in Basel III capital ratio based on estimated Basel III advanced approaches risk-weighted assets and rules.

The following table outlines PNC's standardized risk-weighted assets as of March 31, 2015 using the categorization based on the standardized definitions:

Table 2: Standardized Risk-Weighted Assets

In millions	March 31, 2015
On Balance Sheet	
Exposures to sovereign entities (a)	\$ -
Exposures to depository institutions and foreign banks	311
Exposures to public sector entities	5,395
Corporate exposures	132,781
Residential mortgage exposures	36,577
High volatility commercial real estate	11,514
Past due loans	1,572
Other assets	15,809
Securitization exposures	17,747
Equity exposures	13,972
Off Balance Sheet and Market Risk	
Off balance sheet commitments, maturity less than one year	3,278
Off balance sheet commitments, maturity more than one year	37,255
Derivatives	3,017
Securitization exposures	2,087
Letters of credit and other	10,997
Market risk	2,802
Total Standardized Risk-Weighted Assets	\$ 295,114

(a) Exposures to, and portions of exposures that are directly and unconditionally guaranteed by, the U.S. government, its agencies and the Federal Reserve receive 0% risk weight.

CREDIT RISK

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 of Directors through our governance structure.

Credit Risk Management

Credit risk management is integrated into the overall enterprise risk management governance model. The committees responsible for conducting specific oversight, monitoring and reporting of credit risk management activities are described in further detail within the Risk Management section in Item 7 of our 2014 Form 10-K. PNC's overall credit process includes comprehensive credit policies, judgmental or statistical credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and an ongoing loan review and/or audit process. PNC management desires to construct and maintain a loan portfolio that will allow it to meet its strategic return goals while remaining within our risk appetite, as described further in the Risk Management section in Item 7 of our 2014 Form 10-K. A component of our credit risk management framework is our credit concentration process, by which we maintain limits and monitor credit exposure by industry, geography, product type and customer. Loan participations with third parties, and loan sales and syndications, are used to manage risk concentrations.

In addition to credit policies and procedures, PNC uses established guidelines for delinquent and nonperforming loans, acceptable levels of industry and total borrower exposure, and other relevant credit measures to monitor risk. These guidelines are established by Credit Risk Management at the corporate, business and segment levels with the goal of achieving a desired level of risk within PNC's risk appetite. The established portfolio limits focus on specific pools or characteristics of risk and are designed to ensure that we become aware of portfolio trends and help to enforce the desired construct of the loan portfolio. We may employ portfolio diversification and risk mitigation techniques, such as buying credit derivatives, selling and buying loans, to counter any undesirable risk pool trends or concentrations. Please refer to the Credit Risk Management section within Part I, Item 2 of our March 31, 2015

Form 10-Q and in Part II, Item 7 of our 2014 Form 10-K for a description of the metrics that we use to monitor and manage credit risk.

Credit risk management actions undertaken across the enterprise include continual refinement of underwriting standards, efforts to reduce credit exposure where appropriate, and regular credit risk monitoring and management activities. To further mitigate credit risk, we may periodically reduce or exit certain lending areas. Where we have chosen not to retain the credit risk, it is either because it did not fit within the desired risk appetite, and/or because compensation for such risk is not adequate.

Summary of Credit Exposures

PNC's major types of credit risk exposures consist of the following, all of which are presented in accordance with GAAP:

Loans

PNC had \$204.7 billion in loans at March 31, 2015. See the Loans section within the Consolidated Balance Sheet Review in Part I, Item 2 of our March 31, 2015 Form 10-Q for quantitative information on our loans and Note 3, Asset Quality, and Note 4, Purchased Loans, in our March 31, 2015 Form 10-Q for further information on loans. Also see Note 5, Allowance for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit, in our March 31, 2015 Form 10-Q for information on our allowance for loan losses. See Table 7, Detail of Loans, within Part I, Item 2 of our March 31, 2015 Form 10-Q for the distribution of loans by industry.

We seek to limit concentrations of credit risk by geography by regularly monitoring certain markets identified by size, risk or growth potential against established portfolio limits. As of March 31, 2015, our home equity and residential real estate exposures were concentrated across PNC's main geographic footprint as follows: approximately 37% in the Northeast, 20% in the Midwest and 28% in the Southeast.

The following table presents our consumer and commercial loan portfolios by remaining contractual maturity:

Table 3: Loan Exposures by Remaining Contractual Maturity

March 31, 2015					
In millions	Less than one year	One to five years	Greater than five years	Total	
Commercial loans	\$ 23,996	\$ 78,457	\$ 27,222	\$ 129,675	
Consumer loans	2,740	11,193	61,114	75,047	
Total	\$ 26,736	\$ 89,650	\$ 88,336	\$ 204,722	

The methodologies used to estimate our allowance for loan and lease losses and PNC's policies for: determining past due or delinquency status; placing loans on nonaccrual; returning loans to accrual status; identifying impaired loans, including the definition of impaired loans; and charging off uncollectible amounts are described in detail in the Critical Accounting Estimates and Judgments and Credit Risk Management sections and in Note 1, Accounting Policies within our March 31, 2015 Form 10-Q and our 2014 Form 10-K.

Our overall asset quality trends have improved over the last few years. Refer to Note 3, Asset Quality, within our March 31, 2015 Form 10-Q and in our 2014 Form 10-K for details regarding our impaired loan portfolio.

Securities

PNC had \$60.8 billion in investment securities at March 31, 2015. See the Investment Securities section within the Consolidated Balance Sheet Review in Part I, Item 2 of our March 31, 2015 Form 10-Q for quantitative information on our securities. Also see Note 6, Investment Securities, in our March 31, 2015 Form 10-Q for further information on securities, including the remaining contractual maturity on our debt securities.

Cash

PNC had \$31.2 billion in interest-earning deposits with banks and \$4.2 billion in cash and due from banks at March 31, 2015. See the Consolidated Balance Sheet Review in Part I, Item 2 of our March 31, 2015 Form 10-Q for further information on interest-earning deposits with banks.

Derivatives

PNC had \$6.3 billion in fair value of derivatives in an asset position and \$4.7 billion in fair value of derivatives in a liability position at March 31, 2015. See Note 11, Financial Derivatives, in our March 31, 2015 Form 10-Q and Note 15, Financial Derivatives in our 2014 Form 10-K for further quantitative and qualitative information on derivatives.

See the Average Consolidated Balance Sheet and Net Interest Analysis in the Statistical Information section of Part I, Item 1 in our March 31, 2015 Form 10-Q for average balances of our credit risk exposures.

CREDIT RISK MITIGATION

PNC uses various strategies to mitigate credit risk in its portfolios, including: establishing credit risk appetite measures and limits that define acceptable levels of total borrower exposure; transferring loans to government agencies in securitization transactions; and purchasing credit derivatives. As described within the Counterparty Credit Risk section of this Pillar 3 Report, we may also obtain collateral from counterparties to manage our overall credit risk. In addition, guarantors can serve as a secondary source of repayment. The primary types of guarantors mitigating credit risk are: individuals, business entities, and the U.S. Government. Under the standardized approach, PNC can recognize a credit risk mitigation benefit for certain third-party guarantees. As of March 31, 2015, the reduction to risk-weighted assets as a result of our third-party guarantees was approximately \$5 billion.

COUNTERPARTY CREDIT RISK

Counterparty credit exposure arises from the risk that a counterparty is unable to meet its payment obligations to PNC under certain financial contracts. PNC aggregates a counterparty's exposures for all transactions involving derivatives and repurchase agreements. For further information on PNC's use of derivatives and repurchase agreements, refer to Note 11, Financial Derivatives, and Note 16, Commitments and Guarantees, in the March 31, 2015 Form 10-Q.

A primary responsibility of credit risk management is the approval of new counterparty trading relationships and the subsequent ongoing review of the creditworthiness of the counterparty. The credit risk associated with derivatives executed with customers is essentially the same as that involved in extending loans and is subject to normal credit policies. See the Credit Risk section within this Pillar 3 Report for further discussion of our credit policies. In addition to using master netting agreements to reduce credit risk associated with derivative instruments, we also seek to manage credit risk by evaluating credit ratings of counterparties, by taking collateral and by using internal credit analysis, limits, and monitoring procedures. Credit risk is included in the determination of the estimated net fair value of our derivatives.

Credit limits are typically set on a loan equivalent exposure basis and credit exposures and limits are monitored daily.

For further information on counterparty credit risk, including counterparty and transaction rating, credit approval process and provisioning, and for the notional amount of our credit derivatives, see Note 11, Financial Derivatives, in the March 31, 2015 Form 10-Q.

Counterparty Credit Risk Mitigation

Credit risk from derivatives is mitigated, where possible, through master netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. The International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement is PNC's preferred agreement for documenting over-the-counter (OTC) derivatives. It provides the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by such master netting agreement if either party defaults or other termination events occur. There are certain instances in which we use customized agreements in lieu of an ISDA Master Agreement; however, these agreements include close-out netting language to protect PNC in a similar manner as the ISDA Master Agreement.

We enter into credit derivatives, specifically credit default swaps and risk participation agreements, as part of our commercial mortgage banking hedging activities and for customer and other risk management purposes. The credit derivative underlying is based on the credit risk of a specific entity, entities, or an index. We also periodically enter into risk participation agreements to share some of the credit exposure with other counterparties related to interest rate derivative contracts or to take on credit exposure with other counterparties related to interest rate derivative contracts to generate revenue.

Repurchase and resale agreements are typically entered into with counterparties under industry standard master netting agreements which provide for the right to setoff amounts owed to one another with respect to multiple repurchase and resale agreements under such master netting agreement (referred to as netting arrangements) and liquidate the purchased or borrowed securities in the event of counterparty default. In order for an arrangement to be eligible for netting under GAAP, we must obtain the requisite assurance that the offsetting rights included in the master netting agreement would be legally enforceable in the event of bankruptcy, insolvency, or a similar proceeding of such third party. Enforceability is evidenced by obtaining a legal opinion that supports, with sufficient confidence, the enforceability of the master netting agreement in bankruptcy.

Collateral

PNC may obtain collateral against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction. All marketable transactions and associated collateral positions are independently revalued and monitored daily. Collateral thresholds vary by counterparty. The majority of collateral held as credit risk mitigation is either cash, U.S. Treasury, or Government agency securities.

With respect to repurchase and resale agreements, PNC takes possession of securities purchased under agreements to resell. We monitor the market value of securities to be repurchased and resold and additional collateral may be requested from our counterparty where considered appropriate to protect against credit exposure.

Certain of our master netting agreements contain provisions that require PNC's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If PNC's debt ratings were to fall below investment grade, we would be in violation of these provisions and the counterparties to these agreements could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on March 31, 2015 was \$.8 billion, for which PNC had posted collateral of \$.6 billion in the normal course of business. The maximum additional amount of collateral PNC would have been required to post if the credit-risk-related contingent features underlying these agreements had been triggered on March 31, 2015 would be \$.2 billion.

Further detail regarding the net unsecured credit exposure on our derivatives and other contracts is presented in the following table:

Table 4: Counterparty Credit Risk Exposures

March 31, 2015					
In millions	Gross Positive Fair Value	Collateral Held	Net Unsecured Credit Exposure	Credit Equivalent Amount	
OTC derivatives	\$ 6,757	\$ 1,106	\$ 4,152	\$ 4,178	
Repo-style transactions	\$ 2,747	\$ 2,718	\$ 47	\$ 152	

SECURITIZATION

The Basel III rules define a securitization exposure as follows:

- All or a portion of the credit risk of one or more underlying exposures is transferred to one or more third parties;
- The credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority;
- Performance of the securitization depends on performance of the underlying exposure;
- All or substantially all of the underlying exposures are financial exposures;
- The underlying exposures are not owned by an operating company; and
- The underlying exposures are not owned by a small business investment company or related to a community development investment.

Generally, PNC does not securitize its own assets but does have multiple asset types meeting the definition of securitization exposure, which are primarily secured lending and investment positions. See the Credit Risk section within this report for further discussion of our credit policies. The following activities meet the regulatory definition of a securitization:

- Investment securities that meet the definition of a securitization exposure including asset-backed securities, commercial and residential mortgage-backed securities, and collateralized loan obligations;

- Secured lending to our clients consisting of collateralized loan obligations and securitizations of trade receivables, auto loan and lease assets, equipment leases, fleet leases, and capital commitments;
- Servicing advances to transactions including commercial and residential mortgage backed securities;
- Subscription line facilities to real estate investment funds secured by the capital commitments of the funds' investors; and
- OTC derivatives to special purpose entities.

For a description of the roles that PNC plays in the securitization process, refer to Note 2, Loan Sale and Servicing Activities and Variable Interest Entities in our 2014 Form 10-K.

Summary of Accounting Policies for Securitization Activities

A summary of PNC's accounting policies for securitization activities is outlined in Note 1, Accounting Policies and in Note 2, Loan Sale and Servicing Activities and Variable Interest Entities in our 2014 Form 10-K.

Risk Management

The Securitization Committee, which is a sub-committee of the Basel Compliance Committee, provides governance over the identification and categorization of securitization exposures. Each line of business with securitization exposure submits a quarterly reporting package to the Securitization Committee that includes a summary of securitization exposures attributable to their business, the associated capital requirements and the status of associated controls.

See Note 15, Financial Derivatives, in our 2014 Form 10-K for further information on how we use derivatives to mitigate risk associated with changes in the fair value of assets. See Note 6, Investment Securities, in the March 31, 2015 Form 10-Q and Note 3, Asset Quality in the March 31, 2015 Form 10-Q for information on how we monitor and evaluate changes in credit.

The following table presents the credit equivalent amount for our total on- and off-balance sheet securitization exposures:

Table 5: Securitization Exposures by Underlying Asset Type

In millions	March 31, 2015		
	On-Balance Sheet Amount	Off-Balance Sheet Amount (a)	Total Exposure
Residential mortgage-backed securities	\$ 5,029	\$	\$ 5,029
Commercial mortgage-backed securities	5,269		5,269
Asset-backed securities	5,970		5,970
State and municipal securities	300		300
Total securities	\$ 16,568	\$	\$ 16,568
Loans	\$ 10,036	\$ 8,814	\$ 18,850
Other assets	579	50	629
Total	\$ 27,183	\$ 8,864	\$ 36,047

(a) Primarily unfunded commitments to extend credit.

Regulatory Treatment of Securitizations

The standardized approach requires banks to use either the Simplified Supervisory Formula Approach (SSFA) or assign a 1250% risk weight to determine regulatory capital for securitization exposures. The total exposure includes the aggregate of all on- and off-balance sheet exposures.

The following table outlines our securitization exposures, the related risk-weighted amount and capital requirement:

Table 6: Capital Requirements of Securitization Exposures by Risk-Weighting (a)

In millions	March 31, 2015			
	Risk Weight Bands	Total Exposure	Risk-Weighted Amount	Capital Requirement (b)
Simplified-Supervisory Formula Approach (SSFA)				
=20%	\$	26,937	\$ 5,387	\$ 431
> 20% and <= 100%		4,341	1,809	145
> 100% and <= 650%		4,651	11,555	924
> 650% and <1250%		81	621	50
=1250%		15	188	15
Non-Simplified Supervisory Formula Approach (Non-SSFA)				
=1250%		22	274	22
Total	\$	36,047	\$ 19,834	\$ 1,587

(a) Includes total resecuritization exposures of \$426 million with a risk-weighted amount and capital requirement of \$569 million and \$46 million, respectively.

(b) Capital requirement is calculated as 8% of risk-weighted assets.

EQUITIES NOT SUBJECT TO THE MARKET RISK RULE

Equity investment risk is the risk of potential losses associated with investing in both private and public equity markets. Equity investments include investments in unconsolidated subsidiaries, equity and other investments classified within other assets and fund investments that, in each case, are not a covered position for purposes of the Market Risk Rule nor a securitization exposure.

Various PNC business units manage our equity and other investment activities and are responsible for making investment decisions within the approved policy limits and associated guidelines. Market Risk Management established enterprise-wide policies and methodologies to identify, measure, monitor and report various types of market risk, including equity investment risk. Market Risk Management provides independent oversight by monitoring compliance with established guidelines and reporting significant risks in the business to the Risk Committee of the Board of Directors. All exposures and corresponding risk-weighted assets are monitored and reported to senior level management committees, including the Basel Compliance Committee and the Executive Capital Committee, on at least a quarterly basis.

For additional details on the management of equity investment risk, see the Market Risk Management section of the 2014 Form 10-K. For additional information on valuation and accounting, see Note 7, Fair Value, in our March 31, 2015 Form 10-Q and Note 1, Accounting Policies, and Note 7, Fair Value, in of our 2014 Form 10-K for additional information.

Summary of Equity Investment Exposures

PNC holds the following equity investments that do not meet the qualifications of a covered position under the Market Risk Rule. Private equity investments are held primarily for capital appreciation purposes. Other equity and investment fund positions are held primarily for reasons other than capital gains, including strategic purposes. Our significant equity exposures include the following investments:

- BlackRock – see Business Segments Review in our March 31, 2015 Form 10-Q and 2014 Form 10-K for additional information about our BlackRock investment.
- Tax Credit Investments – see Note 2, Loan Sale and Servicing Activities and Variable Interest Entities, in our 2014 Form 10-K for further information on tax credit investments.
- Private Equity – see the Market Risk Management section of our March 31, 2015 Form 10-Q and 2014 Form 10-K for more information on private equity investments.
- VISA – see the Market Risk Management section of our March 31, 2015 Form 10-Q and 2014 Form 10-K for more information on our Visa investment.
- Bank Owned/Company Owned Life Insurance policies that are considered investment funds and qualify as equity exposures under the regulatory capital framework.

- Federal Home Loan Bank and Federal Reserve Bank stock, which are considered equity exposures under the regulatory capital framework.

The following tables outline the book and fair values of investments that do not qualify as covered positions:

Table 7: Book Value and Fair Value of Equity Exposures Not Subject to Market Risk Rule

In millions	March 31, 2015			
		Book Value		Fair Value
Equity Exposures				
Publicly traded (a)	\$	6,309	\$	13,292
Non-publicly traded		8,282		8,530
Total	\$	14,591	\$	21,822

(a) Publicly traded consists primarily of BlackRock investments.

There were no unrealized gains/(losses) related to equity exposures included in Tier 1 or Tier 2 capital as of March 31, 2015. Realized gains/(losses) from sales and liquidations of equity exposures were \$49.7 million for the three months ended March 31, 2015.

Latent revaluation gains/(losses) are unrealized gains/(losses) on non-public equity investments that are recorded at cost. Such unrealized gains/(losses) are not recognized in the income statement or through accumulated other comprehensive income. Latent revaluation gains, all on our investment in VISA shares, were \$663 million at March 31, 2015.

PNC uses the Simple Risk Weight Approach (SRWA) for its equity investments and either the Simple Modified Look Through Approach (SMLTA) or the Alternative Modified Look Through Approach (AMLTA) for certain investment funds. The following table outlines the capital requirements of equity investment exposures by risk-weighting:

Table 8: Capital Requirements of Equity Investment Exposures by Risk-Weighting

In millions	March 31, 2015				
	Exposure Balance		Risk-Weighted Assets (a)		Capital Requirement (b)
Simple Risk Weight Approach (SRWA)					
0% Risk Weight	\$	902	\$	-	\$ -
20% Risk Weight		933		187	15
100% Risk Weight (c)		9,175		9,175	734
600% Risk Weight		66		397	32
Sub Total SRWA Equity Exposures	\$	11,076	\$	9,759	\$ 781
Simple Modified Look Through Approach (SMLTA)		512		2,049	164
Alternative Modified Look Through Approach (AMLTA)		2,697		2,164	173
Total	\$	14,285	\$	13,972	\$ 1,118

(a) Includes both on- and off-balance sheet amounts.

(b) Capital requirement is calculated as 8% of risk-weighted assets.

(c) Includes significant investments in unconsolidated financial institutions in the form of common stock, which are not deducted from Common Equity Tier 1. Under the transitional rules, a 100% risk weight is applied from 2015 to 2017 and beginning in 2018, a 250% risk weight will be applied.

MARKET RISK CAPITAL

The U.S. banking agencies market risk capital rules define the types of positions that are subject to the market risk capital framework (referred to as “covered positions”). Covered positions are generally defined as those positions that are held (i) for the purpose of short-term resale, (ii) with the intent of benefitting from actual or expected short-term price movements, (iii) to lock in arbitrage profits, or (iv) in order to hedge any of these types of positions. In addition, subject to certain exceptions, foreign exchange and commodity positions are considered covered positions. Characterization of a position as “trading” for purposes of GAAP is not on its

own sufficient to classify the position as a covered position. As a result, certain positions classified as trading under GAAP for our financial statement presentation are not subject to the regulatory market risk capital framework.

Our covered positions primarily arise from the underwriting, investing and risk management services we provide to our customers and associated market risk mitigating hedge activities. Our covered positions are measured and reported in our financial statements at fair value. The products that make up our covered positions are primarily fixed income securities, interest rate derivatives and foreign exchange derivatives. The fixed income securities include mortgage-backed securities and municipal securities. Interest rate derivatives include interest rate swaps, swaptions, caps and floors.

Governance of Covered Positions

PNC has established a Covered Position Working Group to provide governance over the identification of covered positions that is responsible for reviewing our compliance with policies governing management of covered positions. The Covered Positions Working Group is composed of representatives from the areas of business, risk and finance, and is subject to oversight by the Basel Compliance Committee.

Valuation Policies, Procedures & Methodologies

For details regarding our valuation policies, procedures, and methodologies, please see Note 7, Fair Value, in our March 31, 2015 Form 10-Q and our 2014 Form 10-K. For details regarding the risks associated with our valuation policies, procedures, and methodologies, please see Item 1A Risk Factors in our 2014 Form 10-K.

Value at Risk (VaR) Models

Our primary metrics used to measure the market risk of our covered position activity are Value at Risk (VaR) and Stressed VaR (sVaR). VaR is a statistically-based measure of risk that describes the amount of potential loss that may be incurred due to adverse market movements. The measure is of the maximum loss that should not be exceeded on 99 out of 100 days for a 99% VaR. Market Risk Management (MRM) performs a VaR and sVaR calculation on a daily basis using a historical VaR methodology. 10-day VaR and sVaR are calculated at the 99% confidence interval by converting from corresponding daily measures while accounting for autocorrelation and mean-reversion. VaR is calculated using a look back period of 500 days with market data and sensitivities updated daily, while sVaR is computed based on a 250-day period of significant stress (Stress Period) which remains constant through the quarter. The chosen Stress Period is designed to capture the buildup of volatility and profit and loss (P&L) distribution widening. The selected 250-day stress period is monitored by MRM and is updated quarterly. The models used to measure VaR and sVaR take into account the following key market risk factors: interest rates, credit spreads, foreign exchange rates, mortgage rate basis, and implied interest rate and foreign exchange volatilities.

For the three months ended March 31, 2015, our VaR and sVaR metrics were as follows:

Table 9: VaR-Based Metrics (a)

Quarter Ended March 31, 2015	Credit Spread Risk		Interest Rate Risk		Foreign Exchange Risk		Overall Portfolio
In millions							
Min VaR (b)	\$	1.0	\$	0.5	\$	0.6	\$ 2.7
Max VaR (b)	\$	2.0	\$	1.6	\$	0.9	\$ 4.1
Average (Mean) VaR	\$	1.5	\$	1.0	\$	0.8	\$ 3.3
Period End VaR	\$	1.2	\$	1.6	\$	0.6	\$ 3.4
Min SVaR (b)	\$	5.5	\$	1.3	\$	5.9	\$ 14.5
Max SVaR (b)	\$	8.4	\$	8.0	\$	7.8	\$ 21.9
Average (Mean) SVaR	\$	7.1	\$	2.8	\$	7.0	\$ 16.9
Period End SVaR	\$	6.9	\$	3.5	\$	6.5	\$ 16.9

(a) There were no covered positions subject to equity or commodity price risk for the three months ended March 31, 2015.

(b) The minimum and the maximum for the overall portfolio may have occurred on different trading days than the minimum and maximum for the individual components. Thus, the minimum and maximum for the overall portfolio will not equal sum of the individual components.

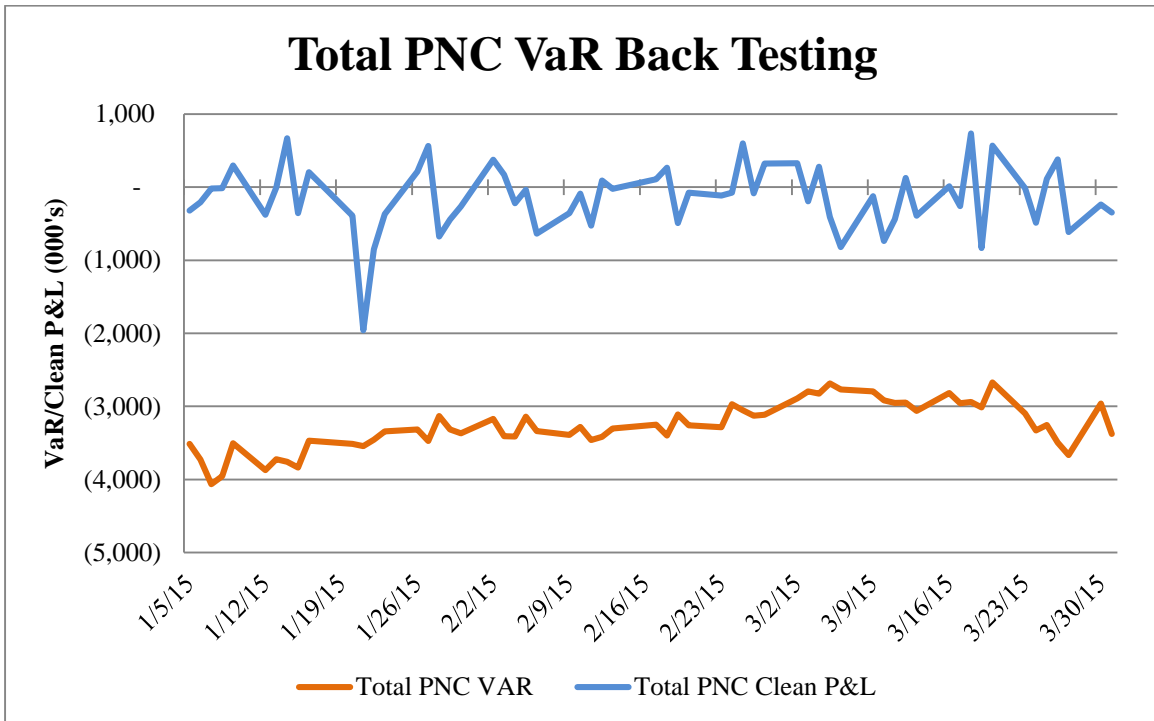
For calculating market risk regulatory capital, daily VaRs assume a zero diversification benefit. We use the standardized measurement method, as defined by the Market Risk Rule, to determine the specific risk charge for our covered positions and therefore we are not required to calculate and hold incremental risk capital. In addition, our trading policies do not permit the conduct of correlation trading. Therefore, we are not required to calculate and hold comprehensive risk capital for our covered positions.

Back Testing

To help ensure the integrity of the models used to calculate VaR for our portfolio of covered positions, we use a back testing process, which consists of comparing actual observations of gains or losses against the VaR levels that were calculated at the close of the prior day. Actual gains and losses for these purposes is calculated by holding end-of-day positions constant, and excludes fees, commissions, reserves, net interest income, income from customer transactions and intraday trading in order to isolate the impact of market price changes on end-of-day positions. Because of these adjustments, actual gains or losses for purposes of back testing is also referred to as “Clean P&L.”

We utilize a variety of market risk measures to monitor covered activities, as identified within our Market Risk Management policies and utilize the same measures to identify significant outliers. Our Model Risk Management Group assesses the results of back testing to verify that the number of exceptions observed over the back testing period do not exceed the expected number of exceptions. Model owners monitor the potential sensitivity of PNC exposures to changes in risk factors.

The following graph shows a comparison of actual gains and losses against prior-day non-diversified VaR for the period. During the first quarter 2015 there were no back testing exceptions for our overall portfolio of covered positions.



Model Validation

The Model Risk Management Group performs independent validations to evaluate the conceptual framework used by the VaR and sVaR models (e.g., historical simulation), the assumptions underlying the models, the sufficiency and completeness of the risk factors identified as key risk drivers, as well as the sufficiency and accuracy of the historical market data used in the models. Part of the evaluation considers the approach used in the VaR and sVaR calculations, assesses the parameters used in the models, the accuracy of estimated profit and loss amounts, as well as the extent to which they may be auto-correlated, and corresponding adjustments. The Model Risk Management Group also performs procedures that include validating results when the models are implemented.

For further details regarding model validation, refer to the Model Risk Management section in Item 7 of our 2014 Form 10-K.

Stress Testing

Market Risk Management performs daily stress-testing of covered positions based on eight different historical stress periods. Stress testing is designed to measure potential cumulative losses due to extreme market movements over a period greater than one day. Stress testing is an additional risk management tool that allows PNC to assess its market risk exposure relative to its risk appetite. This is different from VaR which estimates a potential one day loss in a normal market environment. The stress tests employed are actual historical events that differ in terms of duration and severity. The P&L estimate for each scenario is treated as an instantaneous shock for each trading desk. We consider the following risk factors in performing our daily stress-testing: interest rates, credit spreads, foreign exchange rates, mortgage rate basis and implied interest rate volatility.

Securitization Positions

As of March 31, 2015, we had no securitization positions that were covered positions under the Market Risk Rule. Information on securitization positions is shared with Market Risk Management monthly and balances are validated quarterly as part of the market risk capital charge calculation process. Market Risk Management uses the same VaR metrics as described within the Value at Risk (VaR) Models section of this report to monitor and measure changes to market risk daily in PNC's securitization positions.

As of March 31, 2015, we do not hold any covered positions that are re-securitization positions as defined by the Market Risk Rule, and our trading desks currently do not purchase credit protection for securitization positions.

INTEREST RATE RISK FOR NON-TRADING ACTIVITIES

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.

For further information on Interest Rate Risk, including an interest sensitivity analysis, see Market Risk Management – Interest Rate Risk in the Risk Management section of our March 31, 2015 Form 10-Q.

SUPPLEMENTARY LEVERAGE RATIO

Under the Basel III capital rule, banking organizations subject to the advanced approaches (such as PNC and PNC Bank) also will be subject to a new minimum 3.0% supplementary leverage ratio that becomes effective on January 1, 2018, with public regulatory reporting of the ratio beginning in 2015. Unlike the existing leverage ratio, the denominator of the supplementary leverage ratio takes into account certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts. Consistent with the January 2014 Basel Committee revisions to the leverage ratio, the U.S. banking agencies in September 2014 adopted final rules that, among other things, revise the denominator of the supplementary leverage ratio and the supplementary leverage ratio disclosures that covered banking organizations are required to make beginning in 2015.

Table 10: Supplementary Leverage Ratio

In millions	March 31, 2015	
Part 1: Summary comparison of accounting assets and total leverage exposure		
1 Total average consolidated assets as reported in published financial statements	\$	348,057
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		-
3 Adjustment for fiduciary assets recognized on balance sheet but excluded from total leverage exposure		-
4 Adjustment for derivative exposures		5,831
5 Adjustment for repo-style transactions		1,619
6 Adjustment for off-balance sheet exposures (that is, conversion to credit equivalent amounts of off-balance sheet exposures)		65,908
7 LESS: Other adjustments		17,024
8 Total supplementary leverage exposure	\$	404,391
Part 2: Supplementary leverage ratio		
On-balance sheet exposures		
1 On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)	\$	340,551
2 LESS: Amounts deducted from tier 1 capital		9,518
3 Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions) (sum of lines 1 and 2)	\$	331,033
Derivative exposures		
4 Replacement cost for derivative exposures (that is, net of cash variation margin)	\$	2,964
5 Add-on amounts for potential future exposure (PFE) for derivative exposures		1,705
6 Gross-up for cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin		1,162
7 LESS: Deductions of receivable assets for cash variation margin posted in derivative transactions, if included in on-balance sheet assets		-
8 LESS: Exempted CCP leg of client-cleared transactions		-
9 Effective notional principal amount of sold credit protection		
10 LESS: Effective notional principal amount offsets and PFE adjustments for sold credit protection		
11 Total derivative exposures (sum of lines 4 to 10)	\$	5,831
Repo-style transactions		
12 On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions.	\$	1,586
13 LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements.		-
14 Counterparty credit risk for all repo-style transactions		33
15 Exposure for repo-style transactions where a banking organization acts as an agent		-
16 Total exposures for repo-style transactions (sum of lines 12 to 15)	\$	1,619
Other off-balance sheet exposures		
17 Off-balance sheet exposures at gross notional amounts	\$	151,390
18 LESS: Adjustments for conversion to credit equivalent amounts		85,482
19 Off-balance sheet exposures (sum of lines 17 and 18)	\$	65,908
Capital and total leverage exposure		
20 Tier 1 capital	\$	35,476
21 Total supplementary leverage exposure (sum of lines 3, 11, 16 and 19)	\$	404,391
Supplementary leverage ratio		
22 Supplementary leverage ratio (line 20 divided by line 21)		8.8 %

GLOSSARY OF TERMS

This Glossary defines terms related to the Pillar 3 Report. For additional definition of terms, refer to the Glossary of our March 31, 2015 Form 10-Q.

Alternative Modified Look Through Approach (AMLTA) – Under this approach, a banking organization assigns the adjusted carrying value of an equity exposure to an investment fund on a pro rata basis to different risk weight categories based on the investment limits described in the fund’s prospectus. The banking organization’s risk-weighted asset amount is the sum of each portion of the adjusted carrying value assigned to an exposure type multiplied by the applicable risk weight. For purposes of the calculation the banking organization must assume the fund is invested in assets with the highest risk weight permitted by its prospectus and to the maximum amounts permitted.

Covered Position – The Market Risk Rule defines the types of positions that are subject to the market risk capital framework (referred to as “covered positions”). Covered positions are generally defined as those positions that are held (i) for the purpose of short-term resale, (ii) with the intent of benefitting from actual or expected short-term price movements, (iii) to lock in arbitrage profits, or (iv) in order to hedge any of these types of positions. In addition, subject to certain exceptions, foreign exchange and commodity positions are considered covered positions.

Credit Equivalent Amount – Carrying value (including net accrued but unpaid interest and fees) for the exposure or segment less any allocated transfer risk reserve for the exposure or segment for on-balance sheet exposures. For off-balance sheet exposures, credit equivalent amount is the best estimate of net additions to the outstanding amount owed the bank, including estimated future additional draws of principal and accrued but unpaid interest and fees, that are likely to occur over a one-year horizon assuming default, and potential future exposure of derivative contracts. Certain counterparty exposure credit equivalent amounts can be reduced by recognizing the credit loss mitigation benefits of financial collateral securing the exposure.

High Volatility Commercial Real Estate (HVCRE) – A credit facility that finances or has financed the acquisition, development, or construction of real property.

Latent Revaluation Gains/(Losses) – Unrealized gains/(losses) on nonpublic equity investments that are recorded at cost. Such unrealized gains/(losses) are not recognized in the income statement or through accumulated other comprehensive income.

Simple Modified Look Through Approach (SMLTA) – Under this approach, a banking organization multiplies the adjusted carrying value of its investment in a fund by the highest risk weight that applies to any exposure the fund is permitted to hold as described in the prospectus or fund documents.

Simple Risk Weight Approach (SRWA) – Under this approach, a banking organization would determine the risk-weighted asset amount for each equity exposure by multiplying the adjusted carrying value of the equity exposure by the lowest applicable risk weight permitted.

Simplified Supervisory Formula Approach (SSFA) – Under this approach, a banking organization takes into account the nature and quality of the underlying collateral when assigning a risk weight to a securitization exposure. It was designed to apply relatively higher capital requirements to the more risky junior tranches of a securitization that are the first to absorb losses and apply relatively lower requirements to the most senior positions.

Sovereign – A central government or agency, department, ministry, or central bank of a central government. A sovereign exposure is an exposure to a sovereign, or an exposure directly and unconditionally backed by the full faith and credit of a sovereign.