WESTWOOD ONE INC /DE/
Form 10-Q
May 16, 2011

Table of Contents

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from __________ to __________

Commission file number 001-14691

WESTWOOD ONE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-3980449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1166 Avenue of the Americas, 10th Floor New York, NY	**10036**
(Address of principal executive offices)	(Zip Code)

(212) 641-2000
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-X during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company þ

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

Number of shares of common stock, par value $.01 per share outstanding at April 30, 2011 (excluding treasury shares): 22,590,781 shares

WESTWOOD ONE, INC.
INDEX

2

Table of Contents

PART I. FINANCIAL INFORMATION

WESTWOOD ONE, INC.
CONSOLIDATED BALANCE SHEET
(In thousands, except per share amounts)

	March 31, 2011 (unaudited)	December 31, 2010 (derived from audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,396	$ 2,938
Accounts receivable, net of allowance for doubtful accounts $1,878 (2011) and $1,424 (2010)	93,198	96,557
Prepaid and other assets	16,830	18,421
Total current assets	116,424	117,916
Property and equipment, net	38,044	37,047
Intangible assets, net	89,759	92,487
Goodwill	38,945	38,945
Other assets	1,936	1,879
TOTAL ASSETS	$ 285,108	$ 288,274
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	$ 49,824	$ 45,907
Amounts payable to related parties	982	859
Deferred revenue	7,266	6,736
Accrued expenses and other liabilities	31,298	33,819
Total current liabilities	89,370	87,321
Long-term debt	137,675	136,407
Deferred tax liability	29,820	36,174
Due to Gores	10,350	10,222
Other liabilities	22,563	24,142
TOTAL LIABILITIES	289,778	294,266
Commitments and Contingencies		
STOCKHOLDERS DEFICIT		
Common stock, $.01 par value: authorized: 5,000,000 shares issued and outstanding: 22,591 (2011) and 21,314 (2010)	226	213

Class B stock, $.01 par value: authorized: 3,000 shares; issued and outstanding: 0		
Additional paid-in capital	99,727	88,652
Accumulated deficit	(104,623)	(94,857)
TOTAL STOCKHOLDERS DEFICIT	(4,670)	(5,992)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	$ 285,108	$ 288,274

See accompanying notes to consolidated financial statements

3

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Revenue	$ 90,879	$ 92,842
Operating costs	94,080	88,448
Depreciation and amortization	4,595	4,496
Corporate, general and administrative expenses	3,036	3,912
Restructuring charges	835	743
Special charges	1,468	1,823
Total expenses	104,014	99,422
Operating loss	(13,135)	(6,580)
Interest expense	5,106	5,376
Other expense (income)	(1,096)	1
Loss before income tax	(17,145)	(11,957)
Income tax benefit	(7,379)	(5,234)
Net loss	$ (9,766)	$ (6,723)
Loss per share:		
Common Stock		
Basic	$ (0.45)	$ (0.33)
Diluted	$ (0.45)	$ (0.33)
Weighted average shares outstanding:		
Common Stock		
Basic	21,749	20,544
Diluted	21,749	20,544

See accompanying notes to consolidated financial statements

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash Flows from Operating Activities:		
Net loss	$ (9,766)	$ (6,723)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,595	4,496
Deferred taxes	(6,777)	(5,107)
Paid-in-kind interest	1,395	1,524
Non-cash equity-based compensation	965	1,059
Change in fair value of derivative liability	(1,096)	
Amortization of deferred financing costs	6	6
Net change in other assets and liabilities	5,991	9,660
Net cash (used in) provided by operating activities	(4,687)	4,915
Cash Flows from Investing Activities:		
Capital expenditures	(1,912)	(2,183)
Net cash used in investing activities	(1,912)	(2,183)
Cash Flows from Financing Activities:		
Issuance of common stock	10,000	
Proceeds from exercise of stock options	330	
Payments of finance and capital lease obligations	(273)	(262)
Proceeds from Revolving Credit Facility		3,000
Repayments of Senior Notes		(3,500)
Net cash provided by (used in) financing activities	10,057	(762)
Net increase in cash and cash equivalents	3,458	1,970
Cash and cash equivalents, beginning of period	2,938	4,824
Cash and cash equivalents, end of period	$ 6,396	$ 6,794

See accompanying notes to consolidated financial statements

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS DEFICIT
(In thousands)
(unaudited)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders
	Shares	Amount	Capital	Deficit	Deficit
Balance as of January 1, 2011	**21,314**	**$ 213**	**$ 88,652**	**$ (94,857)**	**$ (5,992)**
Net loss				(9,766)	(9,766)
Equity based compensation			965		965
Issuance of common stock to Gores	1,186	12	9,988		10,000
Exercise of stock options, net of tax	91	1	122		123
Balance as of March 31, 2011	**22,591**	**$ 226**	**$ 99,727**	**$ (104,623)**	**$ (4,670)**

See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Note 1 Basis of Presentation

In this report, Westwood One, Company, registrant, we, us and our refer to Westwood One, Inc. The acco unaudited consolidated financial statements have been prepared by us pursuant to the rules of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the audited financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on April 15, 2011. These financial statements do not reflect the events described under Note 15 Subsequent Events, most notably the sale on April 29, 2011 of our Metro Traffic business (Metro Sale Transaction) and the paydown of approximately $104 million of Senior Notes from the proceeds from the sale.

In the opinion of management, all adjustments, consisting of normal and recurring adjustments necessary for a fair statement of the financial position, the results of operations and cash flows for the periods presented have been recorded.

On April 12, 2011, we entered into an amendment to our debt agreements with our lenders because our projections indicated that we would likely not attain sufficient Adjusted EBITDA (as defined in our lender agreements) to comply with our then existing debt leverage covenant levels in certain fiscal quarters of 2011. As a result of negotiations with our lenders, we entered into a waiver and fourth amendment to the Securities Purchase Agreement which resulted in our then applicable debt leverage covenant being replaced by a covenant waiver for the first quarter of 2011 and minimum last twelve months (LTM) EBITDA thresholds for the second and third quarters of 2011. As part of such amendment, the Senior Notes held by Gores ($10,350 on March 31, 2011 and listed under Due to Gores) were fully subordinated to the Senior Notes then held by the non-Gores holders. Additionally, a 5% leverage fee was to be imposed effective October 1, 2011 unless: (1) our debt leverage ratio for any LTM period complied with the following debt covenant levels for the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50 and (2) more than 50% of the outstanding amount of Senior Notes held by the non-Gores holders were repaid as of such date.

As described in more detail under Note 15 Subsequent Events, on April 29, 2011, in connection with the sale of our Metro Traffic business to an affiliate of Clear Channel Communications (Clear Channel), we further amended the terms of our Securities Purchase Agreement and the Credit Agreement, principally to provide for the consent of the lenders to the sale of the Metro Traffic business and the release of the liens on the assets sold in the sale to Clear Channel. As part of these amendments, our debt leverage covenant (*i.e.,* the maximum senior debt leverage ratio defined as the principal amount of Senior Notes over our Adjusted EBITDA (as defined in our lender agreements) and measured on the last day of each calendar quarter on a trailing, four-quarter basis) was eliminated from both the Securities Purchase Agreement and the Credit Agreement and we paid off all of the Senior Notes from the proceeds from the sale held by non-Gores holders. As a result, the 5% leverage fee previously negotiated as part of the waiver and fourth amendment to the Securities Purchase Agreement will become effective on October 1, 2011 for Senior Notes held by Gores to the extent we are unable to reduce our debt leverage covenant below the levels negotiated in such waiver and fourth amendment (see above). To the extent then applicable, the 5% leverage fee will be equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis from such date until the fee amount is paid in full. As a result of the fifth amendment, certain of our non-financial covenants were eliminated or modified. Non-financial covenants that remain in place for purposes of the Senior Notes held by Gores include limitations on non-accretive mergers or acquisitions, limitations on issuing senior debt, limitations on liens, making certain restricted payments and limitations on the sale of assets, except as expressly permitted by the terms of the credit agreements. On May 11, 2011, we entered into a sixth amendment to our Securities Purchase Agreement for the sole purpose of correcting an inadvertent omission from the fifth amendment, specifically the elimination of the minimum LTM EBITDA thresholds previously applicable to 2011 that were negotiated with the non-Gores noteholders prior to the paydown of 100% of their Senior Notes. For a complete description of covenants that remain, please refer to the terms of our debt agreements, copies of which have been publicly filed with the SEC.

As a result of the debt leverage covenant having been eliminated, we have not presented the non-GAAP financial measure of Adjusted EBITDA in this quarterly report.

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

At March 31, 2011, our total liquidity equaled $10,177. As described in more detail under Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources below, we estimate that cash flows from operations will be sufficient to fund our cash requirements for at least the next 12 months. Our financial projections indicate that our liquidity will reach its lowest point over the next 12 months in the third quarter of 2011. Our current liquidity forecast assumes the receipt of certain payments and completion of certain operational actions already initiated in light of the Metro Sale Transaction. Notwithstanding our forecast and these actions, if our operating income does not meet our current financial projections, particularly in the second and third quarters of 2011, we may not have sufficient liquidity available to us to invest in our business to the extent we currently anticipate.

Financial Statement Presentation

The preparation of our financial statements in conformity with the authoritative guidance of the Financial Accounting Standards Board (FASB) for generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management continually evaluates its estimates and judgments including those related to allowances for doubtful accounts, useful lives of property, plant and equipment and intangible assets and the valuation of such, barter inventory, fair value of stock options granted, forfeiture rate of equity based compensation grants, income taxes and valuation allowances on such and other contingencies. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable in the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

Earnings Per Share

Basic earnings per share (EPS) excludes the effect of common stock equivalents and is computed by dividing income available to common stockholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Shares issued during the period and shares reacquired during the period shall be weighted for the portion of the period that they were outstanding. Diluted earnings per share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share assumes the exercise of stock options using the treasury stock method and the conversion of other equity securities (if outstanding during the period) using the if-converted method. For the three month period ended March 31, 2011, the effect of approximately 392 of outstanding stock options and other common stock equivalents was excluded from the calculation of diluted loss per share because the effect was anti-dilutive.
Common equivalent shares are excluded in periods in which they are anti-dilutive. Options, restricted stock units (RSUs) and restricted stock (see Note 8 Equity-Based Compensation) were excluded from the calculations of diluted earnings per share because combined exercise price, unamortized fair value and excess tax benefits were greater than the average market price of our common stock for the periods presented.

Reclassification and Revisions

Certain reclassifications to our previously reported financial information have been made to the financial information that appears in this report to conform to the current period presentation.
For the year ended December 31, 2010, we understated our deferred revenue liability and overstated our revenue due to an error in calculation. This resulted in an understatement of revenue of $168 being recorded in the quarter ended March 31, 2011, that should have been recorded in the period ended December 31, 2010.
For the year ended December 31, 2009, we understated our income tax receivable asset due to an error in how the deductibility of certain costs for the twelve months ended December 31, 2009 was determined. This resulted in an additional income tax benefit of $650, recorded in the quarter ended March 31, 2010 and the twelve months ended December 31, 2010,that should have been recorded in the successor period ended December 31, 2009. We overstated accounts receivable at December 31, 2009 by $250 in connection with our failure to record a billing adjustment as a result of a renegotiated customer contract and understated accrued expenses for certain general and administrative costs incurred by $278 at December 31, 2009. We also understated accrued liabilities at December 31, 2009 by $375

in connection with our failure to record an employment claim settlement related to an employee termination that occurred prior to 2008, but which was probable and estimable as of December 31, 2009. For the year ended December 31, 2009, we understated our deferred revenue liability for audience deficiency units in error by $919 in connection with recording Metro Traffic Revenue, which was overstated in that period. We reduced revenue by $919 during 2010 to correct the deferred revenue liability balance as of December 31, 2010. We have determined that the impact of these adjustments recorded in the first quarter of calendar 2010 was immaterial to our results of operations in all applicable prior interim and annual periods. As a result, we have not restated any prior period amounts.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Note 2 Related Party Transactions

Gores Radio Holdings

We have a related party relationship with Gores Radio Holdings, LLC (currently our ultimate parent) (together with certain related entities Gores). As a result of our refinancing of substantially all of our outstanding long-term indebtedness (approximately $241,000 in principal amount) and a recapitalization of our equity (the Refinancing), Gores, our ultimate parent company, created a holding company which currently owns approximately 76.2% of our equity, after giving effect to Gores purchase of 1,186 shares of common stock for $10,000 on February 28, 2011. Gores also holds $10,350 (including PIK interest) of our Senior Notes. They purchased this debt from certain of our former debt holders who did not wish to participate in the issuance of the Senior Notes on April 23, 2009 in connection with our Refinancing. As described elsewhere in this report, the Senior Notes held by Gores remain outstanding as such were not part of the debt paid off in connection with the Metro Sale Transaction. Such debt is classified as Due to Gores on our balance sheet.

We recorded interest expense and fees related to consultancy and advisory services rendered by, and incurred on behalf of, Gores and Glendon Partners, an operating group affiliated with Gores, as follows:

	Three Months Ended March 31,	
	2011	2010
Gores and Glendon fees (1)	$ 326	$ 312
Reimbursement of legal fees		8
Reimbursement of letter-of-credit fees (2)	63	63
Interest on loan	383	419
	$ 772	$ 802

(1) These fees consist of payments for professional services rendered by various members of Gores and Glendon to us in the areas of operational improvement, tax, finance, accounting, legal and insurance/risk management.

(2) Reimbursement of a standby letter-of-credit fee incurred and paid by Gores in connection with its guarantee of the $20,000 revolving credit facility with Wells Fargo Capital Finance, LLC (previously Wells Fargo Foothill, LLC, Wells Fargo).

POP Radio

We also have a related party relationship, including a sales representation agreement, with our 20% owned investee, POP Radio, L.P. We recorded fees in connection with this relationship as follows:

	Three Months Ended March 31,	
	2011	2010
Program commission expense	$ 442	$ 361

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

A summary of related party expense by expense category is as follows:

	Three Months Ended March 31,	
	2011	**2010**
Operating costs	$ 442	$ 361
Special charges	326	320
Interest expense	446	482
	$ 1,214	$ 1,163

Note 3 Property and Equipment

Property and equipment is recorded at cost and is summarized as follows:

	March 31, 2011	December 31, 2010
Land, buildings and improvements	$ 11,576	$ 11,572
Recording, broadcasting and studio equipment	25,409	24,862
Furniture, computers, equipment and other	18,124	15,738
	55,109	52,172
Less: Accumulated depreciation and amortization	17,065	15,125
Property and equipment, net	$ 38,044	$ 37,047

Depreciation expense was $1,940 and $2,070 for the three month periods ended March 31, 2011 and 2010, respectively.

Note 4 Intangible Assets

In accordance with the authoritative guidance which is applicable to the Refinancing, we revalued our intangibles using our best estimate of current fair value. The value assigned to our only indefinite lived intangible assets, our trademarks, are not amortized to expense but tested at least annually for impairment or upon a triggering event. Our identified definite lived intangible assets are: our relationships with radio and television affiliates, and other distribution partners from whom we obtain commercial airtime that we sell to advertisers; internally developed software for systems unique to our business; contracts which provide information and talent for our programming; and real estate leases. The values assigned to definite lived assets are amortized over their estimated useful life using, where applicable, contract completion dates, lease expiration dates, historical data on affiliate relationships and software usage. On an annual basis as of December 31, or more frequently if upon the occurrence of certain events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, which testing could impact the value of our business. Intangible assets with definite lives are tested for impairment when events and circumstances indicate that the carrying amount may not be recoverable.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Intangible assets by asset type and estimated life as of March 31, 2011 and December 31, 2010 are as follows:

		As of March 31, 2011			As of December 31, 2010		
	Estimated Life	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Trademarks	Indefinite	$ 20,800	$	$ 20,800	$ 20,800	$	$ 20,800
Affiliate relationships	10 years	72,100	(13,965)	58,135	72,100	(12,163)	59,937
Software and technology	5 years	7,896	(2,868)	5,028	7,896	(2,473)	5,423
Client contracts	5 years	8,930	(3,839)	5,091	8,930	(3,343)	5,587
Leases	7 years	980	(275)	705	980	(240)	740
		$ 110,706	$ (20,947)	$ 89,759	$ 110,706	$ (18,219)	$ 92,487

Amortization expense of intangible assets was $2,728 for the three month periods ended March 31, 2011 and 2010.

Note 5 Goodwill

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with authoritative guidance, the value assigned to goodwill is not amortized to expense, but rather the estimated fair value of the reporting unit is compared to its carrying amount on at least an annual basis to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill is less than their carrying value. On an annual basis as of December 31, or more frequently if upon the occurrence of certain events, we are required to perform impairment tests on our goodwill, which testing could impact the value of our business. In connection with the Metro Sale Transaction, we evaluated the projected results of the remaining entity on a post-transaction basis and determined that no trigger event had occurred.

Gross amounts of goodwill, accumulated impairment losses and carrying amount of goodwill as of March 31, 2011 and December 31, 2010 are as follows:

	Total	Metro Traffic	Network Radio
Goodwill	$ 89,346	$ 63,550	$ 25,796
Accumulated impairment losses	(50,401)	(50,401)	
Balances at March 31, 2011 and December 31, 2010	$ 38,945	$ 13,149	$ 25,796

Note 6 Debt

Our current financial condition has caused us to obtain waivers to the agreements governing our indebtedness and to institute certain cost saving measures. If our financial condition does not improve, we may need to take additional actions designed to respond to or improve our financial condition and we cannot assure you that any such actions would be successful in improving our financial position. As a result of our current financial position we have taken certain actions designed to respond to and improve our current financial position.

On April 23, 2009, we closed the Refinancing and entered into our Securities Purchase Agreement (governing the Senior Notes) and a Credit Agreement (governing the Senior Credit Facility). At the time of the Refinancing, the

Senior Credit Facility included a $20,000 unsecured non-amortizing term loan and a $15,000 revolving credit facility that included a $2,000 letter of credit sub-facility, on a senior unsecured basis. As of March 31, 2011, our existing debt was $148,025 and consisted of: $113,025 under the Senior Notes maturing July 15, 2012 (which included $10,350 due to Gores) and the Senior Credit Facility, consisting of a $20,000 unsecured, non-amortizing term loan and $20,000 revolving credit facility (of which $15,000 was outstanding on March 31, 2011). The term loan and revolving credit facility (i.e., the Senior Credit Facility) mature on July 15, 2012 and are guaranteed by our subsidiaries and Gores. As of March 31, 2011 (as was also the case at the time of the Refinancing), the Senior Notes bore interest at 15.0% per annum, payable 10% in cash and 5% PIK interest. The PIK interest accretes and is added to principal quarterly, but is not payable until maturity. As of March 31, 2011, the accrued PIK interest was $11,557. As of March 31, 2011, loans under our existing Credit Agreement (which govern the Senior Credit Facility) bore interest at our option at either LIBOR plus 4.5% per annum (with a LIBOR floor of 2.5%) or a base rate plus 4.5% per annum (with a base rate floor of the greater of 3.75% and the one-month LIBOR rate).

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Since the time of our Refinancing, we have entered into six amendments to our Securities Purchase Agreement (governing the Senior Notes) and six amendments to our Credit Agreement (governing the Senior Credit Facility). In the case of amendments entered into on October 14, 2009, March 30, 2010, August 17, 2010 and April 12, 2011, respectively, our underperformance against our financial projections caused us to reduce our forecasted results. Of these amendments, with the exception of our revised projections at the time of our October 2009 and April 2011 amendments (where we requested and received a waiver of our covenant to be measured on December 31, 2009 and March 31, 2011, respectively, on a trailing four-quarter basis), our projections indicated that we would attain sufficient Adjusted EBITDA to comply with the debt leverage covenants then in place. Notwithstanding this, in the amendments entered into on March 30, 2010 and August 17, 2010, management did not believe there was sufficient cushion in our projections of Adjusted EBITDA to predict with any certainty that we would satisfy such covenants given the unpredictability in the economy and our business. Given our constrained liquidity on June 30, 2010 and our revised projections in place at such time, as part of the August 17, 2010 amendment, our management deemed it prudent to enhance our available liquidity in addition to modifying its debt leverage covenant levels. Under the terms of this amendment, Gores agreed to: (1) purchase $15,000 of common stock, $5,000 of which was purchased on September 7, 2010 and $10,000 of which was purchased on February 28, 2011, and (2) increase its guarantee by $5,000 on our revolving credit facility. As a result of the latter, Wells Fargo agreed to increase the amount of our revolving credit facility from $15,000 to $20,000 which provided us with necessary additional liquidity for working capital purposes.

We were party to one derivative financial instrument from August 17, 2010 to February 28, 2011 related to the Gores 2011 investment in our common stock (for $10,000) and based on a trailing 30-day weighted average of our common stock s closing share price for the 30 consecutive days ending on the tenth day immediately preceding the date of the stock purchase. It also included a collar (e.g., a $4.00 per share minimum and a $9.00 per share maximum price) and, therefore was deemed to contain embedded features having the characteristics of a derivative to be settled in our common stock. Accordingly, pursuant to authoritative guidance, we determined the fair value of this derivative by applying the Black-Scholes model using the Monte Carlo simulation to estimate the price of our common stock on the derivative s expiration date and estimated the expected volatility of the derivative by using the aforementioned trailing 30-day weighted average. On August 17, 2010, we recorded an asset of $442 related to this instrument. On December 31, 2010, the fair market value of the instrument was a liability of $1,096. The derivative expired on February 28, 2011, the date Gores satisfied the $10,000 Gores equity commitment by purchasing 1,186,240 shares of common stock at a per share price of $8.43, calculated in accordance with the trailing 30-day weighted average of our common stock s closing price as described above. In connection with the Gores 2011 investment in our common stock, the derivative expired and the reversal of the liability of $1,096 was recorded as other income in the first quarter of 2011.

The other amendments (those entered into on April 28, 2011, April 29, 2011 and May 10, 2011, respectively), are described in more detail under Note 15 Subsequent Events. While the amendments to the Securities Purchase Agreement and the Credit Agreement have customarily matched one another substantively, on April 28, 2011, we entered into a fifth amendment to the Credit Agreement with Wells Fargo to amend the terms thereof to (1) change the interest rate margin applicable to base rate loans and LIBOR rate loans provided thereunder to, in each case, 4.00 percentage points and (2) remove the interest rate floors applicable to base rate loans and LIBOR rate loans. There was no similar or corresponding amendment to the Securities Purchase Agreement. Accordingly, the sixth amendment to the Credit Agreement is substantively like the fifth amendment to the Securities Purchase Agreement, both of which were entered into on April 29, 2011. Both of the April 29, 2011 amendments were entered into in connection with the sale of our Metro Traffic business to an affiliate of Clear Channel Communications. As part of these amendments, our debt leverage covenant was eliminated from both the Securities Purchase Agreement and the Credit Agreement and we paid off all of the Senior Notes held by non-Gores holders. On May 11, 2011, we entered into a sixth amendment to our Securities Purchase Agreement for the sole purpose of correcting an inadvertent omission from the fifth amendment, specifically the elimination of the minimum LTM EBITDA thresholds previously applicable to 2011 that were negotiated with the non-Gores noteholders prior to the paydown of 100% of their Senior Notes. Certain non-financial covenants remain in place and are applicable to the Senior Notes held by Gores, which remain outstanding under the terms of the Securities Purchase Agreement. A more detailed description of these amendments is set forth in Note 15 Subsequent Events.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Long-term debt, including current maturities of long-term debt and debt Due to Gores, is as follows:

	March 31, 2011	December 31, 2010
Senior Notes		
Senior Secured Notes due July 15, 2012 (1)	$ 102,675	$ 101,407
Due to Gores (1)	10,350	10,222
Senior Credit Facility		
Term Loan (2)	20,000	20,000
Revolving Credit Facility (2)	15,000	15,000
	$ 148,025	$ 146,629

(1) The applicable interest rate on such debt for the periods presented above is 15.0%, which includes 5.0% PIK interest which accrues and is added to principal on a quarterly basis. PIK interest is not due until maturity or earlier repayment of the Senior Notes.

(2) The applicable interest rate on such debt was 7.0% as of September 30, 2010 and December 31, 2009. For the periods presented above, the interest rate was variable and was payable at the greater of (i) LIBOR plus 4.5% (with a LIBOR floor of 2.5%) or (ii) the base rate plus 4.5% (with a base rate floor equal to the greater of 3.75% or the one-month LIBOR rate), at our option.

Note 7 Fair Value Measurements

Fair Value of Financial Instruments

Our financial instruments include cash, cash equivalents, receivables, accounts payable and borrowings. The fair value of cash and cash equivalents, accounts receivable, accounts payable and borrowings under the revolving credit facility approximated carrying values because of the short-term nature of these instruments. The estimated fair value of the borrowings was based on estimated rates for long-term debt with similar debt ratings held by comparable companies. The carrying amount and estimated fair value for our borrowings are as follows:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Borrowings (short and long term)	$ 133,025	$ 135,019	$ 131,629	$ 146,796

The authoritative guidance establishes a common definition of fair value to be applied under GAAP, which requires the use of fair value, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Fair Value Hierarchy

The authoritative guidance specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect our own assumptions of market participant valuation (unobservable inputs). In accordance with the authoritative guidance, these two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The authoritative guidance requires the use of observable market data if such data is available without undue cost and effort.

Items Measured at Fair Value on a Recurring Basis

The following table sets forth our financial assets and liabilities that were accounted for at fair value on a recurring basis:

	December 31, 2010		
	Level 1	**Level 2**	**Level 3**
Liabilities			
Derivative liability (1)	$	$ 1,096	$

(1) Gores $10,000 equity commitment constituted an embedded derivative and expired on February 28, 2011, the date Gores satisfied the $10,000 Gores equity commitment. As of December 31, 2010 the embedded derivative was included in accrued expenses and other liabilities (See Note 6 Debt). There were no derivatives outstanding as of March 31, 2011.

Note 8 Equity-Based Compensation

We have issued equity compensation to our directors, officers and key employees under three plans, the 1999 Stock Incentive Plan (the 1999 Plan), the 2005 Equity Compensation Plan (the 2005 Plan) and the 2010 Equity Compensation Plan (defined below as the 2010 Plan). Although the 1999 Plan expired in early 2009 and no additional equity compensation may be issued under such plan, certain awards remain outstanding thereunder. Only stock options were issued under the 1999 Plan.

On May 25, 2005, our stockholders approved the 2005 Plan that allowed us to grant stock options, restricted stock and RSUs to our directors, officers and key employees. Effective February 12, 2010, the Board amended and restated the 2005 Plan because we had a limited number of shares available for issuance thereunder (such plan, as amended and restated, the 2010 Plan).

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Stock Options

Options granted under our equity compensation plans vest over periods ranging from 2 to 3 years, generally commencing on the anniversary date of each grant. Options expire within ten years from the date of grant.

Stock option activity for the period from January 1, 2011 to March 31, 2011 is as follows:

		Shares		Weighted Average Exercise Price Per share
Outstanding January 1, 2010		1,631.3	$	26.25
Granted			$	
Exercised		(90.8)	$	6.00
Cancelled, forfeited or expired		(29.0)	$	43.98
Outstanding March 31, 2011		1,511.5	$	27.13
Options exercisable March 31, 2011		469.8	$	72.68
Aggregate estimated fair value of options vesting during the three months ended March 31, 2011	$	2,315		

At March 31, 2011, vested and exercisable options had an aggregate intrinsic value of $565 and a weighted average remaining contractual term of 8.76 years. Additionally, at March 31, 2011, an additional 894.7 options were expected to vest with a weighted average exercise price of $6.60, a weighted average remaining term of 8.94 years and an aggregate intrinsic value of $990. The intrinsic value of options vested in the three months ended March 31, 2011 was $51. The aggregate intrinsic value of options represents the total pre-tax intrinsic value (the difference between our closing stock price at the end of the period and the option s exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options at that time.

As of March 31, 2011, there was $4,436 of unearned compensation cost related to stock options granted under all of our equity compensation plans. That cost is expected to be recognized over a weighted-average period of 1.92 years.

No options were granted in the three month period ended March 31, 2011, therefore no determination was made for fair value assumptions.

Restricted Stock Units

In 2010, our Compensation Committee determined that the independent non-employee directors should receive annual awards of RSUs valued in an amount of $35, which awards will vest over 2 years, beginning on the anniversary of the grant date. The awards also will vest automatically upon a change in control (as defined in the 2010 Plan) and will otherwise be governed by the terms of the 2010 Plan. RSUs granted in 2010 to employees vest over a period of 3 years. The cost of the RSUs, which is determined to be the fair market value of the shares at the date of grant, net of estimated forfeitures, is expensed ratably over the vesting period, or period to retirement eligibility (in the case of directors) if shorter. As of March 31, 2011, unearned compensation cost related to RSUs was $741 and is expected to be recognized over a weighted-average period of 2.4 years.

RSU activity for the period from January 1, 2011 to March 31, 2011 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding January 1, 2011	115.1	$ 9.90
Granted		
Converted to common stock		
Forfeited		
Outstanding March 31, 2011	115.1	$ 9.90

Compensation expense related to all equity-based awards was $965 and $1,059 for the three month periods ended March 31, 2011 and 2010, respectively and is included in corporate, general and administrative expenses.

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Note 9 Income Taxes

We use the asset and liability method of financial accounting and reporting for income taxes. Deferred income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes. We classified interest expense and penalties related to unrecognized tax benefits as income tax expense. In the three-month period ended March 31, 2011, we recorded a net tax benefit of $605, primarily related to the release of certain state and local tax positions and settlements.

The authoritative guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is recognition, in which the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of the liability to recognize in the financial statements.

We determined, based upon the weight of available evidence, that it is more likely than not that most of our deferred tax asset will be realized. We have taxable temporary differences that can be used as a source of income. At March 31, 2011, we have recorded a valuation allowance of $281 on a portion of our deferred tax assets related to our state net operating loss carryforward. No valuation allowance was recorded during the three months ended March 31, 2010 or for the year ended December 31, 2010. We will continue to assess the need for changes to the valuation allowance at each future reporting period.

Note 10 Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are summarized as follows:

	March 31, 2011	December 31, 2010
Payroll and payroll related expense	$ 8,369	$ 7,968
Station compensation expense	4,430	6,698
Programming and operating expense	3,248	2,403
Restructuring and special charges	3,646	3,250
Accrued interest and capital leases	954	1,200
Deferred rent	1,174	1,174
Professional fees	1,216	1,138
Derivative liability (See Note 7 Fair Value Measurements)		1,096
Other operating expense	8,261	8,892
	$ 31,298	$ 33,819

Note 11 Restructuring Charges

In the third quarter of 2008, we announced a plan to restructure our Metro Traffic segment (the Metro Traffic re-engineering) and to implement other cost reductions. The Metro Traffic re-engineering entailed reducing the number of our Metro Traffic operational hubs from 60 to 13 regional centers and produced meaningful reductions in labor expense, aviation expense, station compensation, program commissions and rent. The liabilities associated with the Metro Traffic facilities that were exited by us as part of the Metro Traffic re-engineering were not transferred to the purchaser of Metro Traffic in the Metro Sale Transaction.

The Metro Traffic re-engineering initiative began in the second half of 2008 and continued in 2009. In the first half of 2009, we undertook additional reductions in our workforce and terminated certain contracts. In connection with the

Metro Traffic re-engineering and other cost reduction initiatives, we recorded a credit to expense for $23 and expense of $743 for restructuring charges in the three months ended March 31, 2011 and 2010, respectively. The Metro Traffic re-engineering initiative has been completed. We do not expect to incur any further material costs in connection with this initiative (other than adjustments for changes, if any, resulting from revisions to estimated facilities sublease cash flows after the cease-use date (i.e., the day we exited the facilities)) and we anticipate that the accrued expense balances will be paid over the next 8 years, ending in 2018.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

In the second quarter of 2010, we announced plans to restructure certain areas of the Network Radio and Metro Traffic segments (the 2010 Program). The 2010 Program included charges related to the consolidation of certain operations that reduced our workforce levels during 2010, and additional actions to reduce our workforce as an extension of the Metro Traffic re-engineering. All costs related to the 2010 Program were incurred by the end of 2010 and all remaining liabilities are expected to be paid during the first half of 2011.

In the first quarter of 2011, we announced plans to restructure certain areas of the Network Radio and Metro Traffic segments (the 2011 Program). The 2011 Program included charges related to the consolidation of certain operations that will reduce our workforce levels during 2011. We recorded $858 of severance expense for the 2011 Program in the three months ended March 31, 2011.

The restructuring charges included in the Consolidated Statement of Operations are comprised of the following:

	Balance January 1, 2011	Additions	Changes in Estimates	Utilization Cash	Utilization Non-Cash	Balance March 31, 2011
Metro-Traffic						
Severance	$ 17	$	$	$ (17)	$	$
Facilities Consolidation	3,663		(23)	(333)		3,307
Total	3,680		(23)	(350)		3,307
2010 Program						
Severance	149			(65)		84
Total	149			(65)		84
2011 Program						
Severance		858		(452)		406
Total		858		(452)		406
Total Restructuring	$ 3,829	$ 858	$ (23)	$ (867)	$	$ 3,797

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Note 12 Special Charges

The special charges line item on the Consolidated Statement of Operations is comprised of the following and is described below:

	Three Months Ended March 31,	
	2011	**2010**
Debt agreement costs	$ 409	$ 579
Corporate development costs	458	201
Gores and Glendon fees	326	320
Triangle litigation (see Note 15 Subsequent Events)	171	
Regionalization costs	104	126
Employment claim settlements		483
Fees related to the Refinancing		114
	$ 1,468	$ 1,823

The debt agreement costs include professional fees incurred by us in connection with negotiations with our lenders to amend the debt leverage covenants in our Securities Purchase Agreement and Credit Agreement (see Note 6 Debt and Note 15 Subsequent Events). Gores and Glendon fees are related to professional services rendered by various members of Gores and Glendon to us in the areas of operational improvement, tax, finance, accounting, legal and insurance/risk management. Corporate development costs include professional fees related to the evaluation of potential business development activity including acquisitions, mergers and dispositions. Triangle litigation refers to the legal fees for settlement of the lawsuit filed by Triangle (see Note 15 Subsequent Events). Regionalization costs are expenses we have incurred as a result of reducing the number of our Metro Traffic operational hubs from 60 to 13 regional centers, which primarily consisted of facility expenses. Employment claim settlements were related to employee terminations that occurred prior to 2008. Fees related to the Refinancing for the first three months of 2010 were tax consulting costs related to the finalization of the income tax treatment of the Refinancing. As of March 31, 2011, liabilities related to special charges of $2,022, $746 and $500 were included in accrued expense and other liabilities, amounts payable to related parties and other liabilities, respectively.

Note 13 Comprehensive Loss

Comprehensive loss reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Our comprehensive net loss represents net income or loss adjusted for unrealized gains or losses on available for sale securities. Comprehensive loss is as follows:

	Three Months Ended March 31,	
	2011	**2010**
Net loss	$ (9,766)	$ (6,723)
Unrealized gain on marketable securities, net effect of income taxes		86
Comprehensive loss	$ (9,766)	$ (6,637)

Note 14 Segment Information

We manage and report our business in two operating segments: Network Radio and Metro Traffic. We evaluate segment performance and use segment revenue and segment operating (loss) income before depreciation and amortization (OIBDA) as the primary measure of profit and loss for our operating segments. We believe the presentation of OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by our management and enhances their ability to understand our operating performance. Administrative functions such as finance, human resources, legal and information systems are centralized. However, where applicable, portions of the administrative function costs are allocated between the operating segments. The operating segments do not share programming or report distribution. In the event any materials and/or services are provided to one operating segment by the other, the transaction is valued at fair market value. Operating costs, capital expenditures and total assets are captured discretely within each segment.

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

We report certain administrative activities under corporate. We are domiciled in the United States with limited international operations comprising less than one percent of our revenue. No one customer represented more than 10% of our consolidated revenue.

Revenue, OIBDA, depreciation and amortization and capital expenditures are summarized below by segment:

	Three Months Ended March 31, 2011	2010
Revenue		
Network Radio	$ 51,735	$ 55,575
Metro Traffic	39,144	37,267
	$ 90,879	$ 92,842
OIBDA		
Network Radio OIBDA See Notes[1][2]	$ (2,208)	$ 4,976
Metro Traffic OIBDA See Note[1]	(1,994)	(1,566)
Corporate expenses	(2,035)	(2,928)
Restructuring and special charges	(2,303)	(2,566)
OIBDA	(8,540)	(2,084)
Depreciation and amortization	4,595	4,496
Operating loss	(13,135)	(6,580)
Interest expense	5,106	5,376
Other (income) expense	(1,096)	1
Loss before income taxes	(17,145)	(11,957)
Income tax benefit	(7,379)	(5,234)
Net Loss	$ (9,766)	$ (6,723)
Depreciation and amortization:		
Network Radio	$ 1,693	$ 1,389
Metro Traffic	2,895	$ 3,100
Corporate	7	7
	$ 4,595	$ 4,496
Capital expenditures:		
Network Radio	$ 783	$ 583
Metro Traffic	1,129	1,592
Corporate		8

	$	1,912	$	2,183

(1) Segment operating (loss) income includes allocations of certain corporate overhead expenses such as accounting and legal costs, bank charges, insurance, information technology etc.

(2) For the three months ending March 31, 2011, OIBDA includes incremental broadcast rights expense of $3,719 related to a new sports content agreement. Of the $3,719 of incremental broadcast rights expense, $682 was paid in the period and $3,037 was non-cash.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Identifiable assets by segment at March 31, 2011 and December 31, 2010 are summarized below:

	March 31, 2011	December 31, 2010
Network Radio	$ 123,651	$ 132,227
Metro Traffic	140,290	142,490
Corporate	21,167	13,557
	$ 285,108	$ 288,274

Note 15 Subsequent Events

Debt Agreement Amendments

On April 28, 2011, we entered into an agreement with Wells Fargo to amend the terms of the Credit Agreement (governing the Senior Credit Facility) to (1) change the interest rate margin applicable to base rate loans and LIBOR rate loans provided thereunder to, in each case, 4.00 percentage points and (2) remove the interest rate floors applicable to base rate loans and LIBOR rate loans.

On April 29, 2011, we entered into a Stock Purchase Agreement with Clear Channel Acquisition LLC (Clear Channel) an affiliate of Clear Channel Communications, pursuant to which we sold all of the outstanding capital stock of our subsidiaries that collectively comprised our Metro Traffic business (Metro Sale Transaction). Pursuant to the Stock Purchase Agreement, Clear Channel purchased the Metro Traffic business for $24,250 in cash, $5,000 of which was paid into an escrow account to satisfy certain liabilities. After the consummation of the Metro Sale Transaction, Metro paid to us and our affiliates, and satisfied in full, certain outstanding, pre-closing, inter-company obligations in the amount of $95,000. Generally, for a period of up to six months, the parties will provide to one another certain transition assistance, including with respect to personnel and office facilities. The Metro Traffic business represented approximately 46% of our revenue for the year ended December 31, 2010.

In connection with the Metro Sale Transaction, we entered into separate agreements with our lenders to amend the terms of the Securities Purchase Agreement and the Credit Agreement, in each case, to (1) provide for the consent of the lenders to the Metro Sale Transaction and the release of the liens on the assets sold pursuant to the Stock Purchase Agreement for the Metro Sale Transaction and (2) make other amendments to the Securities Purchase Agreement in order to permit the Metro Sale Transaction thereunder. As part of these amendments, we paid off all of the Senior Notes held by non-Gores holders (i.e., only the Senior Notes that are Due to Gores remain outstanding as of the date of this report). Accordingly, the 5% leverage fee previously negotiated as part of the waiver and fourth amendment to the Securities Purchase Agreement will become effective on October 1, 2011 only for those Senior Notes held by Gores to the extent we are unable to reduce our debt leverage covenant below the levels negotiated in such waiver and fourth amendment. As part of the amendments, our debt leverage covenant was eliminated and we obtained increased flexibility to make new investments, enter into mergers and dispose of assets and incur additional subordinated debt.

On May 11, 2011, we entered into a sixth amendment to our Securities Purchase Agreement for the sole purpose of correcting an inadvertent omission from the fifth amendment, specifically the elimination of the minimum LTM EBITDA thresholds previously applicable to 2011 that were negotiated with the non-Gores noteholders prior to the paydown of 100% of their Senior Notes. As described in more detail in Note 1 Basis of Presentation above, certain non-financial covenants remain in place and are applicable to the Senior Notes held by Gores, which remain outstanding under the terms of the Securities Purchase Agreement.

As part of the second amendment to the Securities Purchase Agreement, we agreed to pay, on the maturity date (or any earlier date on which the Senior Notes become due and payable), to each holder of the Senior Notes a fee equal to 2% of the outstanding principal amount of the Senior Notes held by each noteholder as of such date (all such fees collectively, the Senior Leverage Amendment Fee). As a result of the fifth amendment to the Securities Purchase

Agreement entered into on April 29, 2011, the terms of payment were amended such that the Senior Leverage Amendment Fee will now be due and payable on the earliest to occur of: (1) July 15, 2012, (2) the date on which the Senior Notes held by Gores are paid in full, surrendered or refinanced and (3) the date on which all of the collateral securing the Senior Notes is released. We may prepay the Senior Leverage Amendment Fee in full at any time prior to such date by paying to each holder of the Senior Notes an amount equal to the Senior Leverage Amendment Fee discounted from July 15, 2012 to the date of such prepayment at a 15% per annum discount rate.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Settlement of Triangle Lawsuit

Additionally, on April 29, 2011, in connection with the Metro Sale Transaction, we entered into a settlement agreement with Triangle Software, LLC (d/b/a Beat the Traffic) (Triangle) pursuant to which all claims relating to any patents owned by Triangle as such relate to the Sigalert business are settled. As part of the settlement agreement, each of we and Triangle released the other from all claims related to the lawsuit and agreed that the parties will file the documentation necessary to discontinue the lawsuit filed by Triangle. The Sigalert business was part of the Metro Sale Transaction described above and in connection therewith, the settlement agreement was assigned by us to Clear Channel effective as of the closing of the Metro Sale Transaction on April 29, 2011. The claims of Triangle and our counterclaims have since been dismissed with prejudice by the court in which such lawsuit was filed at the request of both Triangle and us in connection with the terms of the settlement agreement.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (In thousands except share and per share amounts)

EXECUTIVE OVERVIEW

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this report and the annual audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010.

As described in more detail under Note 15 Subsequent Events, on April 29, 2011, we sold our Metro Traffic business to Clear Channel Acquisition LLC, an affiliate of Clear Channel Communications (Metro Sale Transaction). The results of the Metro Traffic Business are included in the following discussion for the all periods on and prior to March 31, 2011 and will be presented as a discontinued operation in future filings in accordance with GAAP.

We are one of the nation s largest radio networks, and one of the largest domestic outsourced providers of traffic reporting services, distributing content to approximately 5,000 radio stations and 182 television stations, which include stations in over 80 of the top 100 Metropolitan Statistical Area (MSA) markets in the U.S., and to over 450 digital outlets (e.g. websites and mobile phones) nationally. We produce and distribute, sports, talk, music, special events, traffic, news, weather and other programming content and reach over 190 million people weekly. We exchange our content with radio and television stations for commercial airtime, which we then sell to local, regional and national advertisers. By aggregating and packaging commercial airtime across radio and television stations nationwide, we offer our advertising customers a cost effective way to reach a broad audience, as well as to target their audience on a demographic and geographic basis.

Our goal is to maximize the yield of our available commercial airtime to optimize revenue and profitability. We derive substantially all of our revenue from the sale of 60 seconds, 30 seconds, 15 seconds and 10 seconds commercial airtime to advertisers. Our advertisers who target national audiences generally find that a cost effective way to reach their target consumers is to purchase longer 30 or 60 second advertisements, which are principally broadcast in our news, talk, sports, music and entertainment related programming and content. Our advertisers who target local/regional audiences generally find that an effective method is to purchase shorter duration advertisements (15 seconds and 10 seconds), which are principally broadcast in our traffic and information related content. A particular advantage for our advertisers who purchase airtime in our traffic content is that their commercials are generally embedded in the actual traffic report. A growing number of advertisers purchase both local/regional and national airtime.

There are a variety of factors that influence our revenue on a periodic basis, including but not limited to: (1) economic conditions and the relative strength or weakness in the United States economy; (2) advertiser spending patterns, the timing of the broadcasting of our programming, principally the seasonal nature of sports programming and the perceived quality and cost-effectiveness of our programming by advertisers and affiliates; (3) advertiser demand on a local/regional or national basis for radio related advertising products; (4) increases or decreases in our portfolio of program offerings and the audiences of our programs, including changes in the demographic composition of our audience base; (5) increases or decreases in the size of our advertising sales force; and (6) competitive and alternative programs and advertising mediums.

Our commercial airtime is perishable and, accordingly, our revenue is significantly impacted by the commercial airtime available at the time we enter into an arrangement with an advertiser. Commercial airtime is sold and managed on an order-by-order basis; therefore, our ability to specifically isolate the relative historical aggregate impact of price and volume is not practical. We closely monitor advertiser commitments for the current calendar year, with particular emphasis placed on the annual upfront process, where advertisers make significant advance commitments to purchase advertising in the following year. We take the following factors, among others, into account when pricing commercial airtime: (1) the dollar value, length and breadth of the order; (2) the desired reach and audience demographic; (3) the quantity of commercial airtime available for the desired demographic requested by the advertiser for sale at the time their order is negotiated; and (4) the proximity of the date of the order placement to the desired broadcast date of the commercial airtime.

Table of Contents

Results of Operations

We are organized into two business segments: Network Radio and Metro Traffic. We evaluate segment performance using segment revenue and segment operating (loss) income before depreciation and amortization (OIBDA) as the primary measure of profit and loss for our operating segments. We believe the presentation of OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by our management and enhances their ability to understand our operating performance.

In Network Radio, our business strategy is focused on delivering the best sports, talk, music and entertainment programming, as well as key services, to affiliate and advertising customers. The goal of this strategy is to generate revenue by providing our customers with content and solutions that help them reach and attract their desired customers in the marketplace. To that end, we recently renewed or launched key programs and partnerships, including our multi-year partnership with the National Football League (NFL) to continue as its Network Radio Primetime partner, including the NFL playoffs and Super Bowl and our long-standing partnership with the NCAA to be the exclusive Network Radio provider for the NCAA Men s Basketball Championship Tournament. We launched two new Talk radio programs: Robert Wuhl (sports) and Douglas Urbanski (traditional), a new Sports prep service and VH1 Classic Rock Nights in partnership with MTV.

Our Network Radio content covers several categories and formats, including national news, sports, music, entertainment, and talk radio. In national news and sports, we distribute nationally branded programs such as CBS Radio News, CNN Radio News, NBC Radio News, and major high-profile sporting events, including the NFL, NCAA football and basketball games and the Winter Olympic Games in 2010. Our Network business features shows that we produce with popular personalities including Dennis Miller, Dr. Oz, Charles Osgood and Billy Bush. We also broadcast signature Award shows in the music industry including the Grammy Awards and the Academy of Country Music (ACM) Awards, with whom we recently renewed our partnerships. Our music and entertainment programming includes concert broadcasts, and countdown shows, including Country Music Countdown and CMT Radio Live in partnership with MTV. Our Network Radio business nationally syndicates this proprietary and licensed content to radio stations, enabling them to meet their programming needs on a cost-effective basis. We generate revenue from the sale of 30 and 60 second commercial airtime, often embedded in our programming that we bundle and sell to advertisers who want to reach a national audience across numerous radio stations.

Prior to the Metro Traffic Sale, the Metro Traffic business provided our local radio and television station affiliates with a cost-effective alternative to gathering and delivering their own traffic and local information reports in their marketplaces. We produce and distribute traffic and other local information reports, such as news, sports and weather, to approximately 2,250 radio stations and 182 television stations. Our Metro Traffic business generates revenue from the sale of commercial advertising inventory to advertisers with 10 and 15 second radio spots embedded within our information reports, and 30 second spots in television. Through the sale of this inventory, we offer advertisers a more efficient, broad-reaching alternative to purchasing advertising directly from individual radio and television stations. In late 2010 and early 2011, we added stations from Hearst Broadcasting, ESPN Radio, Salem, Carter Broadcasting, Next Media, Emmis, Univision, Citadel, and Cox which collectively represent significant inventory and audience in key markets.

Three Months Ended March 31, 2011 Compared With Three Months Ended March 31, 2010

Revenue

Revenue presented by operating segment for the three month periods ending March 31, 2011 and 2010 is as follows:

	Revenue			
			Favorable (Unfavorable)	
	2011	2010	$ Amount	%
Network Radio	$ 51,735	$ 55,575	$ (3,840)	(6.9%)
Metro Traffic	39,144	37,267	1,877	5.0%
Total (1)	$ 90,879	$ 92,842	$ (1,963)	(2.1%)

(1) As described above, we currently aggregate revenue based on the operating segment. A number of advertisers purchase both local/regional and national commercial airtime in both segments. Our objective is to optimize total revenue from those advertisers.

For the three months ending March 31, 2011, revenue decreased $1,963, or 2.1%, to $90,879 compared with $92,842 for the three months ending March 31, 2010. The decrease is the result of decreased revenue in the Network Radio segment, partially offset by an increase in Metro Traffic revenue.

For the three months ending March 31, 2011, Network Radio revenue was $51,735 compared to $55,575 for the comparable period in 2010, a decrease of 6.9%, or $3,840. The decrease resulted from decreased advertising revenue from our sports programs of $2,875 (primarily the absence of the Winter Olympics in 2011) and our news programming of $1,137, partially offset by increased advertising revenue from our music and entertainment programming of $700.

Metro Traffic revenue for the three months ending March 31, 2011 increased $1,877, or 5.0%, to $39,144 from $37,267 for the same period in 2010. Metro Traffic revenue increased primarily as a result of an increase in Metro Traffic radio advertising revenue of $3,471, or 12.5%, mainly due to increases in financial services of $3,027 and travel and entertainment of $1,341, partially offset by a decrease in governmental sector of $802. These increases were partially offset by a decrease in Metro Television revenue of $1,594, primarily due to lower ratings.

Operating Costs

Operating costs for the three months ending March 31, 2011 and 2010 are as follows:

	Operating Costs			
			Favorable / (Unfavorable)	
	2011	2010	$ Amount	%
Programming and operating	$ 36,559	$ 34,963	$ (1,596)	(4.6)%
Station compensation	25,832	22,533	(3,299)	(14.6)%
Payroll and payroll related	21,166	20,871	(295)	(1.4)%
Other operating expenses	10,523	10,081	(442)	(4.4)%
	$ 94,080	$ 88,448	$ (5,632)	(6.4)%

Operating costs increased $5,632, or 6.4%, to $94,080 in the first quarter of 2011 from $88,448 in the first quarter of 2010. The increase in operating costs is a result of increased station compensation of $3,299, higher broadcast rights costs of $2,182, including $3,037 of incremental non-cash expense related to a new sports content agreement (included in programming and operating) and higher other operating costs for computer services of $499, insurance and related of $378, bad debt expense of $274 and promotion and travel of $187. The expense related to the incremental non-cash broadcast rights for the new agreement is expected to be $2,372 for the twelve months ended

December 31, 2011. Excluding the non-cash broadcast rights expense of $3,037, program and operating expense would have decreased by $1,441, or 4.1%, in 2011 when compared to 2010. This was partially offset by the decrease in facilities expenses of $770 (included in other operating expense), primarily resulting from our re-engineering and cost reduction programs and lower distribution costs of $566 (included in programming and operating).

Table of Contents

Depreciation and Amortization

Depreciation and amortization increased $99, or 2.2%, to $4,595 in the first quarter of 2011 from $4,496 in the first quarter of 2010. The increase is primarily attributable to the absence in 2011 of $229 for negative amortization from liabilities established for contracts that were recorded as a result of the Refinancing (and fully amortized by the end of 2010) and our application of push down acquisition accounting, partially offset by decreased depreciation of $130.

Corporate General and Administrative Expenses

Corporate, general and administrative expenses decreased $876, or 22.4%, to $3,036 for the three months ending March 31, 2011 compared to $3,912 for the three months ending March 31, 2010. The decrease is principally due to the decreases in accounting and audit fees of $669, group health insurance costs of $356, equity-based compensation expense of $94 and payroll and related costs of $82, partially offset by an increase in legal fees of $213.

Restructuring Charges

During the three months ending March 31, 2011 and 2010, we recorded $835 and $743, respectively, for restructuring charges. For the 2011 period, restructuring charges included costs for the 2011 Program of $858 for severance costs, partially offset by a reduction in expense for the Metro Traffic Program facilities consolidation as a result of revisions to estimated cash flows from our closed facilities (including estimates for subleases) of $(23). For the 2010 period, the Metro Traffic Program incurred costs for the revisions to estimated cash flows from the facilities consolidation of $601 and severance costs of $142.

Special Charges

We incurred special charges aggregating $1,468 and $1,823 in the first quarter of 2011 and 2010, respectively. Special charges in the first quarter of 2011 decreased $355 compared to the first quarter of 2010 as a result of the absence in 2011 of employment settlement claims of $483 and fees related to the Refinancing of $114, lower charges for debt amendment costs of $170 and regionalization costs of $22. These decreases were partially offset by increased costs for corporate development of $257, the 2011 charges for the Triangle litigation of $171 and Gores fees of $6.

Operating Loss

The operating loss for the three months ended March 31, 2011 increased to $13,135 from $6,580 for the same period in 2010. This increase in the loss is primarily attributable to increased operating costs of $5,632 and decreased revenue of $1,963, partially offset by lower corporate expense of $876.

OIBDA

We use segment revenue and segment operating (loss) income before depreciation and amortization (OIBDA) as the primary measure of profit and loss for our operating segments. We believe the presentation of OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by our management and enhances their ability to understand our operating performance.

OIBDA for the three months ending March 31, 2011 and 2010 is as follows:

			OIBDA	
			Favorable (Unfavorable)	
	2011	2010	$ Amount	%
Network Radio	$ (2,208)	$ 4,976	$ (7,184)	(144.4)%
Metro Traffic	(1,994)	(1,566)	(428)	(27.3)%
Corporate expenses	(2,035)	(2,928)	893	30.5%
Restructuring and special charges	(2,303)	(2,566)	263	10.2%
Segment OIBDA	(8,540)	(2,084)	(6,456)	(309.8)%
Depreciation and amortization	4,595	4,496	(99)	(2.2)%
Operating loss	$ (13,135)	$ (6,580)	$ (6,555)	(99.6)%

OIBDA (loss) for the three months ending March 31, 2011 increased $6,456 to a loss of $8,540 from a loss of $2,084 for the same period in 2010. This decrease is primarily attributable to the lower Network Radio OIBDA of $7,184, higher Metro Traffic OIBDA loss of $428, partially offset lower corporate expenses of $893 and restructuring and special charges of $263.

Network Radio

OIBDA in our Network Radio segment decreased by $7,184 to a loss $2,208 in 2011 compared to income of $4,976 in 2010. The decrease in OIBDA was primarily due to decreases in revenue of $3,840, as described above, and increases in costs for programming and operating of $1,665 (primarily broadcast rights of $2,182, including $3,037 of incremental non-cash expense related to a new sports content agreement, partially offset by lower distribution costs of $408) and station compensation expenses of $1,546. Excluding the incremental non-cash broadcast rights expense of $3,037, OIBDA would have decreased by $4,147 in 2011 when compared to 2010. The expense related to the non-cash broadcast rights for the new agreement is expected to be $2,372 for the twelve months ended December 31, 2011.

Metro Traffic

OIBDA loss in our Metro Traffic segment increased by $428 to a loss of $1,994 in 2011 compared to a loss of $1,566 in 2010. The decrease in OIBDA was due to increased operating costs of $2,305, primarily from station compensation expense of $1,753, payroll related costs of $354 and other operating costs of $266. These increases in operating costs were partially offset by an increase in revenue of $1,877, as described above and a decrease in programming and operating costs of $68.

Interest Expense

Interest expense decreased $270, or 5.0%, to $5,106 in the first quarter of 2011 from $5,376 in the first quarter of 2010, reflecting lower interest from Senior Notes of $386, reflecting lower average levels of Senior Notes outstanding (resulting from the 2010 repayments of debt of $16,032, partially offset by increases from accrued paid-in-kind (PIK) interest of $5,734). These decreases were partially offset by increased interest expense related to our Senior Credit Facility of $127.

Other Expense

Other income in the first quarter of 2011 was $1,096 which represents the fair market value adjustment related to the Gores $10,000 equity commitment. Such commitment constituted an embedded derivative and expired on February 28, 2011, the date Gores satisfied the $10,000 Gores equity commitment (see Note 6 Debt for additional detail).

Provision for Income Taxes

Income tax benefit in the first quarter of 2011 was $7,379 compared with a tax benefit of $5,234 in the first quarter of 2010. Our effective tax rate for the quarter ended March 31, 2011 was approximately 43.0% as compared to 43.8% for the same period in 2010. The higher income tax benefit in 2011 is primarily the result of a higher pre-tax loss and the net tax benefit of $605 related primarily to the release of certain state and local tax positions and settlements, partially offset by the 2011 valuation allowance of $281.

Table of Contents

Net Loss

Our net loss for the first quarter of 2011 increased $3,043 to $9,766 from a net loss of $6,723 in the first quarter of 2010, which is primarily attributable to lower OIBDA from our Network Radio and Metro Traffic segments, partially offset by other income of $1,096 in 2011 and a higher income tax benefit of $2,145. Net loss per share for basic and diluted shares was $(0.45) in the first quarter of 2011, compared with net loss per share for basic and diluted of $(0.33) in the first quarter of 2010. Weighted average shares outstanding increased in the first quarter of 2011 compared to the first quarter of 2010 primarily from the issuance to Gores of 769,231 common shares in September 2010 and 1,186,240 common shares in February 2011.

Liquidity, Cash Flow and Debt

Cash flows for the three months ended March 31, 2011 and 2010 are as follows:

	Cash Flow Three Months Ended March 31,		
	2011	**2010**	Change
Net cash (used in) provided by operating activities	$ (4,687)	$ 4,915	$ (9,602)
Net cash used in investing activities	(1,912)	(2,183)	271
Net cash provided by (used in) financing activities	10,057	(762)	10,819
Net increase in cash and cash equivalents	3,458	1,970	$ 1,488
Cash and cash equivalents, beginning of period	2,938	4,824	
Cash and cash equivalents, end of period	$ 6,396	$ 6,794	

Net cash (used in) provided by operating activities was (4,687) for the three months ended March 31, 2011 and $4,915 for the three months ended March 31, 2010, an decrease of $9,602 in net cash provided by operating activities. The decrease was principally attributable to lower net changes in other assets and liabilities of $3,669 (primarily from decreases in liabilities of $5,251), higher net loss of $3,043 and lower other non-cash items of $2,890.

While our business at times does not require significant cash outlays for capital expenditures, capital expenditures for the three months ended March 31, 2011 decreased to $1,912, compared to $2,183 for the first three months of 2010. The first quarter 2011 expenditures were primarily related to an investment in internal use software we installed.

Cash provided by (used in) financing activities was $10,057 for the three months ended March 31, 2011 compared to $(762) in the three months ended March 31, 2010. On February 28, 2011, as part of the Securities Purchase Agreement amendment entered into on August 17, 2010, Gores purchased 1,186,240 shares of common stock for $10,000. In the first quarter of 2011, we received $330 from employee option exercises to purchase 55,041 shares of our common stock and we made payments on capital and finance lease obligations of $273. In the first quarter of 2010, we borrowed $3,000 under our Senior Credit Facility and we repaid $3,500 of our Senior Notes and $262 on our capital and finance lease obligations.

Liquidity and Capital Resources

We continually project anticipated cash requirements, which may include requirements for potential merger and acquisition (M&A) activity, capital expenditures, principal and interest payments on our outstanding indebtedness, dividends and working capital requirements. To date, funding requirements have been financed through cash flows from operations, the issuance of equity to Gores and the issuance of long-term debt.

Table of Contents

At March 31, 2011, our principal sources of liquidity were our cash and cash equivalents of $6,396 and borrowing availability of $3,781 under our revolving credit facility, which equaled $10,177 in total liquidity. As described in more detail below, as a result of the amendments to our debt agreements entered into in April and May 2011 (one of which provided for a waiver of our debt leverage covenant to be measured on March 31, 2011), the Metro Sale Transaction that closed on April 29, 2011 and based on our 2011 financial projections, which we believe use reasonable assumptions regarding the current economic environment, we estimate that cash flows from operations will be sufficient to fund our cash requirements, including scheduled interest payments on our outstanding indebtedness and projected working capital needs for at least the next 12 months. We note that over the next 12 months, our financial projections indicate that our liquidity will reach its lowest point in the third quarter of 2011. Our current liquidity forecast assumes the receipt of certain payments and completion of certain operational actions already initiated in light of the Metro Sale Transaction. Notwithstanding our forecast and these actions, if our operating income does not meet our current financial projections, particularly in the second and third quarters of 2011, we may not have sufficient liquidity available to us to invest in our business to the extent we currently anticipate.

Our Senior Credit Facility and Senior Notes mature on July 15, 2012. As described elsewhere in this report, in connection with the Metro Sale Transaction that closed on April 29, 2011, we paid off all of the Senior Notes held by non-Gores holders in an amount equal to $103,873 (including PIK of $10,895 and accrued interest of $799), which means our existing debt on April 30, 2011 totaled $45,393 (not including $1,219 of letters of credit issued under the Senior Credit Facility). If we are unable to meet our debt service and repayment obligations under the Senior Notes and/or the Senior Credit Facility, we would be in default under the terms of the agreements governing our debt, which if uncured, would allow our creditors at that time to declare all outstanding indebtedness to be due and payable and materially impair our financial condition and liquidity. If financing is limited or unavailable to us upon the maturity of the Senior Credit Facility and Senior Notes, we may not have the financial means be able to repay the debt, which would have a material adverse effect on our business continuity, our financial condition and our results of operations.

Existing Indebtedness

As of March 31, 2011 (prior to the closing of the Metro Sale Transaction), our existing debt totaled $148,025 and consisted of $113,025 under the Senior Notes maturing July 15, 2012 (which included $10,350 due to Gores) and the $35,000 under the Senior Credit Facility, consisting of a $20,000 unsecured, non-amortizing term loan and $15,000 outstanding under our revolving credit facility (not including $1,219 of letters of credit issued under the Senior Credit Facility). The term loan and revolving credit facility (i.e., the Senior Credit Facility) mature on July 15, 2012 and are guaranteed by our subsidiaries and Gores. The Senior Notes currently bear interest at 15.0% per annum, payable 10% in cash and 5% PIK interest. The PIK interest accretes and is added to principal quarterly, but is not payable until maturity. As of March 31, 2011, the accrued PIK interest was $11,557. As a result of the waiver and fourth amendments to the debt agreements we entered into on April 12, 2011, a 5% leverage fee will be imposed effective October 1, 2011, subject to the potential elimination of such as described below. The 5% leverage fee will be equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis from such date until the fee amount is paid in full. The fee shall be payable on the earlier of maturity (July 15, 2012) or the date on which the Senior Notes are paid. Accrued and unpaid leverage fee amounts shall be added to the principal amount of the Senior Notes at the end of each calendar quarter (as is the case with PIK interest on the Senior Notes which accretes to the principal amount). The Senior Notes may be prepaid at any time, in whole or in part, without premium or penalty. Payment of the Senior Notes is mandatory upon, among other things, certain asset sales and the occurrence of a change of control (as such term is defined in the Securities Purchase Agreement governing the Senior Notes). The Senior Notes are guaranteed by our subsidiaries and are secured by a first priority lien on substantially all of our assets. Effective as of the date of the waiver and fourth amendment to the debt agreements (April 12, 2011), the Senior Notes held by Gores were fully subordinated to the Senior Notes held by non-Gores holders, including in connection with any future pay down of Senior Notes from the proceeds of any asset sale (as occurred on April 29, 2011 as described below). Notwithstanding the foregoing related to the 5% leverage fee, if at any time, we provide satisfactory documentation to its lenders that its debt leverage ratio for any LTM period complies with the following debt covenant levels for the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50, and provided more than 50% of the outstanding amount of Senior Notes held by the non-Gores holders shall have been repaid as of such date (which condition was satisfied in connection with the Metro Sale Transaction that closed on April 29, 2011), then the 5% leverage fee would be eliminated on a prospective basis. As described elsewhere in this report, we no longer have a debt leverage covenant (i.e., the maximum senior debt leverage ratio defined as the principal amount of Senior Notes over our Adjusted EBITDA (as defined in our lender agreements) and measured on the last day of each calendar quarter on a trailing, four-quarter basis) with which we must comply as a result of the amendments entered into in April 2011. However, for purposes of determining whether the 5% leverage fee becomes effective on October 1, 2011 on the Senior Notes then outstanding, the debt covenant levels listed above remain relevant and are based on the levels set forth in the second amendments to our credit agreements.

Table of Contents

As described in more detail under Note 15 Subsequent Events, on April 29, 2011, in connection with the sale of our Metro Traffic business to an affiliate of Clear Channel Communications (referred to in this report as the Metro Sale Transaction), we further amended the terms of our Securities Purchase Agreement and the Credit Agreement, principally to provide for the consent of the lenders to the Metro Sale Transaction and the release of the liens on the assets sold in the sale. As part of these amendments, our debt leverage covenant was eliminated from both the Securities Purchase Agreement and the Credit Agreement and we paid off all of the Senior Notes held by non-Gores holders in an amount of $103,873 (including PIK of $10,895 and accrued interest of $799). As a result, the 5% leverage fee previously negotiated as part of the waiver and fourth amendment to the Securities Purchase Agreement will become effective on October 1, 2011 for Senior Notes held by Gores to the extent we are unable to reduce our debt leverage covenant below the levels negotiated in such waiver and fourth amendment (see above). To the extent then applicable, the 5% leverage fee will be equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis from such date until the fee amount is paid in full. As a result of the fifth amendment, certain of our non-financial covenants were eliminated or modified. Non-financial covenants that remain in place for purposes of the Senior Notes held by Gores include limitations on non-accretive mergers or acquisitions, limitations on issuing senior debt, limitations on liens, making certain restricted payments and limitations on the sale of assets, except as expressly permitted by the terms of the credit agreements. On May 11, 2011, we entered into a sixth amendment to our Securities Purchase Agreement for the sole purpose of correcting an inadvertent omission from the fifth amendment, specifically the elimination of the minimum LTM EBITDA thresholds previously applicable to 2011 that were negotiated with the non-Gores noteholders prior to the paydown of 100% of their Senior Notes. For a complete description of covenants that remain, please refer to the terms of our debt agreements, copies of which have been publicly filed with the SEC.

As of March 31, 2011, loans under our existing Credit Agreement (which governs the Senior Credit Facility) bore interest at our option at either LIBOR plus 4.5% per annum (with a LIBOR floor of 2.5%) or a base rate plus 4.5% per annum (with a base rate floor of the greater of 3.75% and the one-month LIBOR rate). Effective as of April 28, 2011, when the fifth amendment to the Credit Agreement was entered into, loans under our existing Credit Agreement (which governs the Senior Credit Facility) bear interest at our option at either LIBOR plus 4.0% per annum or a base rate plus 4.0% per annum.

Cautionary Statement Concerning Forward-Looking Statements and Factors Affecting Forward-Looking Statements

This quarterly report on Form 10-Q, including Item 1A-Risk Factors and Item 2-Management s Discussion and Analysis of Results of Operations and Financial Condition, contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements we make or others make on our behalf. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are not based on historical fact but rather are based on management s views and assumptions concerning future events and results at the time the statements are made. No assurances can be given that management s expectations will come to pass. There may be additional risks, uncertainties and factors that we do not currently view as material or that are not necessarily known. Any forward-looking statements included in this document are only made as of the date of this document and we do not have any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

Item 1A. Risk Factors

An investment in our common stock is speculative and involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained in this Quarterly Report on Form 10-Q. The risks described below could have a material adverse effect on our business, financial condition and results of operations.

29

Table of Contents

Risks Related to Our Business and Industry

While our year-over-year annual operating performance increased for the first time since year end 2005, we continue to incur operating losses and there can be no assurance that our performance will continue to improve. If it does not continue and we were to continue to incur operating losses, we could lack sufficient funds to continue to operate our business in the ordinary course.

Our annual operating loss for the year ended December 31, 2010 decreased $75,542 to $22,039 from the comparable period in 2009. The decrease was $25,041 absent 2009 goodwill and intangible asset impairment charges of $50,501. While such is an improvement, it remains a significant drop from our operating income of $63,307 in 2007. We cannot provide any assurance as to whether we will be able to continue to increase our operating performance, which has in the past been negatively affected by lower commercial clearance, a decline in our sales force and reductions in national audience levels across the industry and locally at our affiliated stations, and more recently by higher programming fees and station compensation costs. To the extent such trends continue, the extent of the impact of such factors could be heightened as a result of the recent Metro Sale Transaction. In 2008 and 2009, our operating income was also affected by the weakness in the United States economy and advertising market. In 2010, the overall economic recovery, especially in the advertising marketplace, was slower than we projected and that radio industry analysts had forecast. During the economic downturn, advertisers and the agencies that represent them increased pressure on advertising rates, and in some cases, requested steep percentage discounts on ad buys, demanded increased levels of inventory re-negotiated booked orders and released advertising funds as late as possible in the cycle. Although there has been an improvement in the economy, advertisers demands and advertising budgets have not improved to pre-recession levels. If a double-dip recession were to occur or if the economic climate does not improve sufficiently for us to generate advertising revenue to meet our projections, our financial position could worsen to the point where we would lack sufficient liquidity to continue to operate our business in the ordinary course.

If our operating results do not achieve our financial projections, we may require additional funding, which if not obtained, would have a material and adverse effect on our business continuity and our financial condition.

We are operating in an uncertain economic environment, where the pace of an advertising recovery is unclear and we are facing increased cost pressures as described above. As further described in Note 6 Debt above, in March 2011 our financial projections indicated that we would likely not attain sufficient OIBDA to comply with our then existing debt leverage covenants in certain fiscal quarters of 2011 which resulted in the waiver and fourth amendment to the Securities Purchase Agreement which significantly eased our debt leverage covenant levels (and included a waiver of such covenant in the first quarter of 2011). In connection with the Metro Sale Transaction, we paid down approximately $104,000 of its Senior Notes, however we still have approximately $10,400 of Senior Notes outstanding to Gores (Due to Gores) and $36,200 outstanding under the Senior Credit Facility which debt matures on July 15, 2012. Additionally, approximately $2,300 is due in connection with the 2% Senior Leverage Amendment Fee on the maturity date unless earlier repaid (which early repayment would be discounted from July 15, 2012 to the date of such prepayment at a 15% per annum discount rate) and the 5% leverage fee may begin accruing on the Senior Notes held by Gores as described above in Note 15 Subsequent Events. If our operating results fall short of our financial projections, we may need additional funds. If financing is limited or unavailable to us or if we are forced to fund our operations at a higher cost, these conditions could require us to curtail our business activities or increase our cost of financing, both of which could reduce our profitability or increase our losses. If we were to require additional financing, which could not then be obtained, it would have a material adverse effect on our financial condition and on our ability to meet our obligations.

We have a significant amount of indebtedness and limited liquidity, which could adversely affect our operations, flexibility in running our business and our ability to service our debt if our future operating performance does not meet our financial projections.

As of March 31, 2011, we had $113,025 in aggregate principal amount of Senior Notes outstanding (of which approximately $11,557 was PIK), which bore interest at a rate of 15.0%, and a Senior Credit Facility consisting of a $20,000 term loan and a $20,000 revolving credit facility under which $15,000 was drawn (not including $1,219 in letters of credit used as security on various leased properties and issued under the Senior Credit Facility). As described above, as a result of the Metro Sale Transaction, we now have approximately $10,300 of Senior Notes outstanding to Gores (Due to Gores) and $36,200 outstanding under the Senior Credit Facility which debt matures on July 15, 2012 (and accordingly will become short-term, not long-term, debt in the third quarter of 2011). As a result of the fifth amendment to the Credit Agreement, loans under our Senior Credit Facility now bear interest at LIBOR plus 4.0% or a base rate plus 4.0%. In connection with this amendment, the LIBOR floor and the base rate floor were eliminated from such interest calculations. As described above in Note 6 Debt and Note 15 Subsequent Events, we recently amended our debt agreements and as a result thereof, our debt leverage covenant was eliminated. However, our obligation to pay the 5% debt leverage fee remains due on the Senior Notes held by Gores to the extent that our debt leverage ratio for any LTM period fails to comply with any of the following debt covenant levels for any of the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50 as does our obligation to pay the 2% Senior Leverage Amendment Fee (approximately $2,300 assuming no early repayment and no 15% discount) as described above. The 5% debt leverage fee is equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis until the fee amount is paid in full. Our ability to service our debt for the next twelve months will depend on our financial performance in an uncertain and unpredictable economic environment as well as on competitive pressures. Further, our Senior Notes and Senior Credit Facility continue to include non-financial covenants, including one that restricts our ability to incur additional indebtedness beyond certain minimum baskets unless such is subordinated on terms acceptable to our lenders. If our operating results decline and we do not meet our financial projections, and we are unable to obtain a waiver to increase our indebtedness and/or successfully raise funds through an issuance of equity, we would lack sufficient liquidity to operate our business in the ordinary course, which would have a material adverse effect on our business, financial condition and results of operations. If we were then unable to meet our debt service and repayment obligations under the Senior Notes or the Senior Credit Facility, we would be in default under the terms of the agreements governing our debt, which if uncured, would allow our creditors (*i.e.,* Gores in the case of the Senior Notes and Wells Fargo in the case of the Senior Credit Facility) at that time to declare all outstanding indebtedness to be due and payable and materially impair our financial condition and liquidity.

Our Senior Credit Facility and Senior Notes mature on July 15, 2012; if we are unable to refinance or otherwise repay such indebtedness there would be a material and adverse effect on our business continuity and our financial condition.

As the maturity date for Senior Notes and our Senior Credit Facility approaches, we are evaluating, and will continue to evaluate, our options to refinance or repay such indebtedness. Options we may consider include potential mergers and acquisitions activity and/or refinancing alternatives in the debt and capital markets, either of which could include a partial or complete paydown of our remaining debt. In addition to assessing the potential opportunities noted above, we will discuss refinancing options with our lenders.

If we do not have the capital necessary to repay our senior indebtedness when it matures on July 15, 2012, it will be necessary for us to take significant actions, such as revising or delaying our strategic plans, reducing or delaying planned capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may be unable to effect any of these remedial steps on a satisfactory basis, or at all. If we are unable to refinance or otherwise repay our senior debt upon the maturity, we would be in default, which would result in material adverse consequences for us.

The cost of our indebtedness is substantial, which further affects our liquidity and could limit our ability to implement our business plan.

Interest payments on our debt, which did not include PIK, totaled $11,468 in 2010. As a result of the Metro Sale Transaction and the amendments to our credit agreements taken in connection therewith, our remaining indebtedness was $45,393 as of April 30, 2011 (not including the $1,219 letters of credit issued under the Senior Credit Facility), which does not include the 5% debt leverage fee that may become payable beginning October 1, 2011, or the 2% Senior Leverage Amendment Fee. While our indebtedness has been significantly reduced, as a result of the Metro Sale Transaction, our debt is now supported solely by our Network business. If the economy does not improve more significantly and advertisers continue to maintain reduced budgets and/or if our financial results continue to come under pressure, we may be required to delay the implementation or reduce the scope of our business plan and our ability to develop or enhance our services or programs will likely be impacted. Without additional revenue, we may be unable to take advantage of business opportunities, such as acquisition opportunities or securing rights to name-brand or popular programming, or respond to competitive pressures. If any of the foregoing should occur, this could have a material and adverse effect on our business.

CBS Radio provides us with a significant portion of our commercial inventory and audience that we sell to advertisers. A material reduction in the audience delivered by CBS Radio stations or a material loss of commercial inventory from CBS Radio would have an adverse effect on our advertising sales and financial results.

While we provide programming to all major radio station groups, we have affiliation agreements with most of CBS Radio s owned and operated radio stations which, in the aggregate, provide us with a significant portion of the audience and commercial inventory that we sell to advertisers, much of which is in the more desirable top 10 radio markets. Although the compensation we pay to CBS Radio under our March 2008 arrangement is adjustable based on the audience levels and commercial clearance it delivers (i.e., the percentage of commercial inventory broadcast by CBS Radio stations), any significant loss of audience or inventory delivered by CBS Radio stations, including, by way of example only, as a result of a decline in station audience, commercial clearance levels or station sales that resulted in lower audience levels, would have a material adverse impact on our advertising sales and revenue. Since implementing the new arrangement in early 2008, CBS Radio has delivered improved audience levels and broadcast more advertising inventory than it had under our previous arrangement. However, there can be no assurance that CBS Radio will maintain these higher levels. As part of the cost reduction actions we undertook in early 2010 to reduce station compensation expense, we and CBS Radio mutually agreed to enter into an arrangement, effective on February 15, 2010, to give back inventory delivered by CBS Radio which resulted in a commensurate reduction in the cash compensation we pay to them. In order to offset our return of inventory to CBS Radio and to help deliver consistent RADAR audience levels over time, we added incremental inventory from non-CBS stations. We actively manage our inventory, including by purchasing additional inventory for cash. While our arrangement with CBS Radio is scheduled to terminate in 2017, there can be no assurance that such arrangement will not be breached by either party. If our agreement with CBS Radio were terminated as a result of such breach, our results of operations could be materially impacted.

Our ability to improve our operating results largely depends on the audiences we deliver to our advertisers.

Our revenue is derived from advertisers who purchase commercial time based on the audience reached by those commercials. Advertisers determine the audience(s) they want to reach according to certain criteria, including the size of the audience, their demographics (e.g., gender, age), the market and daypart in which their commercials are broadcast and the format of the station on which the commercials are broadcast. The new electronic audience measurement technology known as The Portable People Meter , or PPM , introduced in 2007 impacted audience levels for most programming across the radio industry in the first few years of its introduction (2008-2010). However, in the most recent book, RADAR 108, that reported ratings for our RADAR inventory (which comprises approximately half of our total inventory) the first 33 markets (including 19 of the top 20 markets) were fully incorporated into the ratings books and all 48 markets have been incorporated (at some level) into the RADAR books which leads us to believe the impact of PPM has been largely absorbed by the marketplace. However, we may continue to be impacted by PPM as 15 markets have yet to be fully incorporated into the ratings books. Audience levels also can change for several reasons other than PPM, including changes in the radio stations included in a RADAR network, such stations clearance rates for our inventory, general radio listening trends and additional changes in how audience is measured. In 2010, we were able to offset the impact of audience declines by purchasing additional inventory at cost effective prices, however, if the general economy and advertising market were to recover significantly, inventory could become more expensive. Additionally, additional inventory may need to be purchased in advance of our having definitive data on audience levels, such that if we do not accurately predict how much additional inventory will be required to offset declines in audience, or cannot purchase comparable inventory to our current inventory at efficient prices, our future operating profits could be materially and adversely affected.

Our business is subject to increased competition from new entrants into our business, consolidated companies and new technologies/platforms, each of which has the potential to adversely affect our business.

Our business segments operate in a highly competitive environment. Our radio programming competes for audiences and advertising revenue directly with radio stations and other syndicated programming. We also compete for advertising dollars with other media such as television, satellite radio, newspapers, magazines, cable television, outdoor advertising, direct mail and, increasingly, digital media. While the overall radio audience has remained stable, these new media platforms have gained an increased share of advertising dollars and their introduction could lead to decreasing revenue for traditional media. Further, as we expend resources to expand our programming and services in new digital distribution channels, our operating results could be negatively impacted until we begin to gain traction in these emerging businesses. New or existing competitors may have resources significantly greater than our own. In particular, the consolidation of the radio industry has created opportunities for large radio groups, such as Clear Channel Communications, CBS Radio and Citadel Broadcasting Corporation to gather information and produce radio and television programming on their own. Although our network radio market share has improved year-over-year according to the October 2010 Miller Kaplan report, there can be no assurance that we will be able to maintain or increase our market share, our audience ratings or our advertising revenue given this competition. To the extent audience for our programs were to decline, advertisers willingness to purchase our advertising could be reduced. Additionally, audience ratings and performance-based revenue arrangements are subject to change based on the competitive environment and any adverse change in a particular geographic area could have a material and adverse effect on our ability to attract not only advertisers in that region, but national advertisers as well.

In recent years, digital media platforms and the offerings thereon have increased significantly and consumers are playing an increasingly large role in dictating the content received through such mediums. We face increasing pressure to adapt our existing programming as well as to expand the programming and services we offer to address these new and evolving digital distribution channels. Advertising buyers have the option to filter their messages through various digital platforms and as a result, many are adjusting their advertising budgets downward with respect to traditional advertising mediums such as radio or utilizing providers who offer one-stop shopping access to both traditional and alternative distribution channels. If we are unable to offer our broadcasters and advertisers an attractive full suite of traditional and new media outlets and address the industry shift to new digital mediums, our operating results may be negatively impacted.

Our failure to obtain or retain the rights in popular programming could adversely affect our operating results.

The operating results from our radio programming business depends in part on our continued ability to secure and retain the rights to popular programming and then to sell such programming at a profit. We obtain a significant portion of our programming from third parties. For example, some of our most widely heard broadcasts, including certain NFL and NCAA games, are made available based upon programming rights of varying duration that we have negotiated with third parties. Competition for popular programming that is licensed from third parties is intense, and due to increased costs of such programming or potential capital constraints, we may be outbid by our competitors for the rights to new, popular programming or to renew popular programming currently licensed by us. Even when we are able to secure popular programming, the fee thereof (particularly sports programs and high-profile talent), is often significantly increased as a result of the competitive bidding process, which requires that we sell the advertising in this programming at a sufficiently higher volume and rate to offset the increased fees. Our failure to obtain or retain rights to popular content (or the temporary loss of such content as would be the case for our NFL programming in the event of an NFL lock-out) could adversely affect our operating results. The extent of the impact of such failure could be heightened as a result of the recent Metro Sale Transaction.

If we are not able to integrate future M&A activity successfully, our operating results could be harmed.

We evaluate M&A opportunities, including acquisitions and dispositions, on an ongoing basis and intend to pursue opportunities in our industry and related industries that can assist us in achieving our growth strategy. The success of our future strategy will depend on our ability to identify, negotiate, complete and integrate M&A opportunities and, if necessary, to obtain satisfactory debt or equity financing to fund such opportunities. M&A is inherently risky, and any M&A transactions we do complete may not be successful.

Even if we are able to consummate the M&A transactions we pursue, such transactions may involve certain risks, including, but not limited to, the following:

- diversion of our management s attention from normal daily operations of our business;
- responsibility for the liabilities of the businesses we sell, merge with and/or acquire;
- insufficient revenue to offset increased expenses associated with the M&A transactions we consummate or inability to realize the synergies we identify;
- inability to maintain the key business relationships and reputations in connection with such M&A;
- potential loss of key employees in connection with any M&A we undertake;
- difficulty in integrating and managing the operations, technologies and products of the companies we merge with and/or acquire;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions; and
- dependence on unfamiliar affiliates and partners of the companies we merge with and/or acquire.

Our success is dependent upon audience acceptance of our content which is difficult to predict.

Revenue from our radio business is dependent on our continued ability to anticipate and adapt to changes in consumer tastes and behavior on a timely basis. Because consumer preferences are consistently evolving, the commercial success of a radio program is difficult to predict. It depends on the quality and acceptance of other competing programs, the availability of alternative forms of entertainment, general economic conditions and other tangible and intangible factors, all of which are difficult to predict. An audience s acceptance of programming is demonstrated by rating points which are a key factor in determining the advertising rates that we receive. Low ratings can lead to a reduction in pricing and advertising revenue. Consequently, low public acceptance of our content could have an adverse effect on our results of operations, the impact of which could be heightened as a result of the recent Metro Sale Transaction.

We may be required to recognize further impairment charges.

On an annual basis and upon the occurrence of certain events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, and long-lived assets which testing could impact the value of our business. We have a history of recognizing impairment charges related to our goodwill and intangible assets. In connection with our Refinancing and our requisite adoption of the acquisition method of accounting, we recorded new values of certain assets such that as of April 24, 2009, our revalued goodwill was $86,414 (an increase of $52,426) and intangible assets were $116,910 (an increase of $114,481). In September 2009, we believe a triggering event occurred as a result of forecasted results for 2009 and therefore we conducted a goodwill impairment analysis that resulted in an impairment charge in our Metro Traffic segment of $50,501.

Risks Related to Our Common Stock

Our common stock may not maintain an active trading market which could affect the liquidity and market price of our common stock.

On November 20, 2009, we listed our common stock on the NASDAQ Global Market. However, there can be no assurance that an active trading market on the NASDAQ Global Market will be maintained, that our common stock price will increase or that our common stock will continue to trade on the exchange for any specific period of time. If we are unable to maintain our listing on the NASDAQ Global Market, we may be subject to a loss of confidence by customers and investors and the market price of our shares may be affected.

Sales of additional shares of common stock by Gores or our other lenders could adversely affect the stock price.

Gores beneficially owns 17,212,977 shares, or approximately 76.2%, of our common stock, which reflects the common stock it purchased in September 2010 and February 2011. There can be no assurance that at some future time Gores, or our other lenders (who collectively own 20.5% of our common stock), will not, subject to the applicable volume, manner of sale, holding period and limitations of Rule 144 under the Securities Act, sell additional shares of our common stock, which could adversely affect our share price. The perception that these sales might occur could also cause the market price of our common stock to decline. Such sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Gores will be able to exert significant influence over us and our significant corporate decisions and may act in a manner that advances its best interest and not necessarily those of other stockholders.

As a result of its beneficial ownership of 17,212,977 shares, or approximately 76.2%, of our common stock, Gores has voting control over our corporate actions. For so long as Gores continues to beneficially own shares of common stock representing more than 50% of the voting power of our common stock, it will be able to elect all of the members of our Board and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Gores may act in a manner that advances its best interests and not necessarily those of other stockholders by, among other things:

- delaying, deferring or preventing a change in control;
- impeding a merger, consolidation, takeover or other business combination;
- discouraging a potential acquirer from making a tender offer or otherwise attempting obtain control; or

causing us to enter into transactions or agreements that are not in the best interests of all of our stockholders.

Provisions in our restated certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our restated certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. This provision of the Delaware General Corporation Law could delay or prevent a change of control of our company, which could adversely affect the price of our common stock.

We do not anticipate paying dividends on our common stock.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our available cash, if any, for use as working capital and for other general corporate purposes. Any payment of future cash dividends will be at the discretion of our Board and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant. In addition, our Senior Credit Facility and the Senior Notes restrict the payment of dividends.

Any issuance of shares of preferred stock by us could delay or prevent a change of control of our company, dilute the voting power of the common stockholders and adversely affect the value of our common stock.

Our Board has the authority to cause us to issue, without any further vote or action by the stockholders, up to 10,000,000 shares of preferred stock, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. To the extent we choose to issue preferred stock, any such issuance may have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders, even where stockholders are offered a premium for their shares.

The issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

The foregoing risk factors that appear above may affect future performance. The accuracy of the forward-looking statements included in the risk factors above are illustrative, but are by no means all-inclusive or exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have exposure to changing interest rates under the Senior Credit Facility. During 2010, we were party to one derivative financial instrument. Gores investment in our common stock was to be made based on a trailing 30-day weighted average of our common stock s closing share price for the 30 consecutive days ending on the tenth day immediately preceding the date of the stock purchase, and additionally included a collar (e.g., a $4.00 per share minimum and a $9.00 per share maximum price), therefore it was deemed to contain embedded features having the characteristics of a derivative to be settled in our common stock. Accordingly, pursuant to authoritative guidance, we determined the fair value of this derivative by applying the Black-Scholes model using the Monte Carlo simulation to estimate the price of our common stock on the derivative s expiration date and estimated the expected volatility of the derivative by using the aforementioned trailing 30-day weighted average. On August 17, 2010, we recorded an asset of $442 related to this instrument. On December 31, 2010, the fair market value of the instrument was a liability of $1,096. The derivative expired on February 28, 2011, the date Gores satisfied the $10,000 Gores equity commitment by purchasing 1,186,240 shares of common stock at a per share price of $8.43, calculated in accordance with the trailing 30-day weighted average of our common stock s closing price as described above. In connection with the Gores 2011 investment in our common stock, the derivative expired and the reversal of the liability of $1,096 was recorded as other income in the first quarter of 2011. No cash was exchanged for the derivative instrument at any time. We were not party to any other derivative financial instruments during the three months ended March 31, 2011 or the year ended December 31, 2010.

We monitor our positions with, and the credit quality of, the financial institutions that are counterparties to our financial instruments, and do not anticipate non-performance by the counterparties.

Our receivables do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we operate.

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our President and Chief Financial Officer and our Senior Vice President, Finance and Principal Accounting Officer carried out an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2011 (the Evaluation). Based upon the Evaluation, our President and Chief Financial Officer and our Senior Vice President, Finance and Principal Accounting Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) are effective as of March 31, 2011 in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There were no changes in our internal control over financial reporting during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no material developments in the first quarter of 2011 to the legal proceeding described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 1A. Risk Factors

A description of the risk factors associated with our business is included under Cautionary Statement Concerning Forward-Looking Statements and Factors Affecting Forward-Looking Statements in Management s Discussion and Analysis of Financial Condition and Results of Operations, contained in Item 2 of Part I of this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended March 31, 2011, we did not purchase any of our common stock under our existing stock purchase program and we do not intend to repurchase any shares for the foreseeable future.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased in Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (A)
1/1/11 1/31/11		N/A		
2/1/11 2/28/11		N/A		
3/1/11 3/31/11		N/A		

(A) Represents remaining authorization from the $250,000 repurchase authorization approved on February 24, 2004 and the additional $300,000 authorization approved on April 29, 2004, all of which have expired.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

None

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

Exhibit Number (A)	Description of Exhibit
2.1	Stock Purchase Agreement, dated as of April 29, 2011, by and between Clear Channel Acquisition LLC and the Company. (1)
4.1	Fifth Amendment, made and entered into as of April 29, 2011, to Securities Purchase Agreement, dated as of April 23, 2009, by and among the Company and the noteholders party thereto. (2)
4.2*	Sixth Amendment, made and entered into as of May 11, 2011, to Securities Purchase Agreement, dated as of April 23, 2009, by and among the Company and the noteholders party thereto.
10.1	Transition Services Agreement, dated as of April 29, 2011, by and between Clear Channel Acquisition LLC and the Company. (1)
10.2	Fifth Amendment, made and entered into as of April 28, 2011, to Credit Agreement, dated as of April 23, 2009, by and among the Company, the lenders party thereto and Wells Fargo Capital Finance, LLC, as administrative agent for the lenders. (2)
10.3	Sixth Amendment, made and entered into as of April 29, 2011, to Credit Agreement, dated as of April 23, 2009, by and among the Company, the lenders party thereto and Wells Fargo Capital Finance, LLC, as administrative agent for the lenders. (2)
10.4	Amendment No. 2 to Employment Agreement, effective as of April 29, 2011, by and between the Company and Steven Kalin, dated as of July 7, 2008. (2)
31.a*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.b*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.a**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.b**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

(A) The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

(1) Filed as an exhibit to Company s current report on Form 8-K dated April 29, 2011 and incorporated herein by reference.

(2) Filed as an exhibit to Company s current report on Form 8-K dated April 28, 2011 and incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTWOOD ONE, INC.

By: /s/ Roderick M. Sherwood III
Name: Roderick M. Sherwood III
Title: President and CFO

Date: May 16, 2011

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
4.2*	Sixth Amendment, made and entered into as of May 11, 2011, to Securities Purchase Agreement, dated as of May 10, 2009, by and among the Company and the noteholders party thereto.
31.a*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.b*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.a**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.b**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

bull;

Contributions made by PNC, its subsidiaries, or a PNC sponsored foundation to a charitable organization in which a director or an immediate family member is an executive officer, director, or trustee

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Relationships involving a director's relative who is not an immediate family member

These guidelines also allow investors to assess the quality of a Board's independence determinations.

In applying this guidance, an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

If a director has a relationship that would be deemed non-material under our guidelines for independence, but crosses one of the NYSE's bright-line tests, the NYSE test governs and the director will not be treated as independent.

Our Board's independence determinations. At a meeting held on February 14, 2013, the Board made an independence determination for each of our 16 director nominees. Each nominee currently serves as a director.

In making these determinations, our Board relied on the evaluation and recommendations made by the Nominating and Governance Committee. The Board considered relevant facts and circumstances when making these determinations, including an evaluation of the relationships described below.

Our Board based the independence decisions on information known as of February 14, 2013, and each director has been asked to provide updates on changes that could impact the director's status as an independent director. The Nominating and Governance Committee and Board will consider information throughout the year that may impact independence.

Non-independent directors. Our Board affirmatively determined that Mr. Rohr and Mr. Demchak are the only non-independent directors. Each meets the NYSE's bright-line relationship test as an executive officer of PNC.

Independent directors. Our Board affirmatively determined that each of the directors listed below has no material relationship with PNC under the NYSE corporate governance listing standards. These determinations were based, in part, on an evaluation of the facts and circumstances of relevant relationships in light of PNC's own independence guidelines. In some cases, the relationships that we analyzed include relationships that a director has as a partner, shareholder or officer of an organization that has a relationship with PNC. They may also include relationships between directors and immediate family members.

Based on these evaluations, our Board affirmatively determined that each of these directors qualifies as independent under the NYSE's corporate governance listing standards: Richard O. Berndt, Charles E. Bunch, Paul W. Chellgren, Kay Coles James, Richard B. Kelson, Bruce C. Lindsay, Anthony A. Massaro, Jane G. Pepper, Donald J. Shepard, Lorene K. Steffes, Dennis F. Strigl, Thomas J. Usher, George H. Walls, Jr., and Helge H. Wehmeier.

Back to Contents

Transactions with directors

This chart reflects relationships between PNC and the director, the director's spouse, the director's immediate family members, or a company or charitable organization of which the director or the director's spouse is, or was during 2012, a partner, officer, employee, or in which the director or the director's spouse holds a significant ownership position (an affiliated entity). All of these transactions meet our Board guidance on independence.

V. n	Kay Coles James	Richard B. Kelson	Bruce C. Lindsay	Anthony A. Massaro	Jane G. Pepper	James E. Rohr	Donald J. Shepard	Lorene K. Steffes	Dennis F. Strigl	Thomas J. Usher	George H. Walls, Jr.	Helge H. Wehmeier

s, workplace banking, or wealth management products.

ns, home equity loans, credit cards, or similar products, as well as credit and credit-related products.

vith directors, as well as matching gifts provided to charities personally supported by the director, although under our Board
cluded in considering the value of contributions against our guidance.

ards, or similar products, as well as credit, credit-related products, and other commercial banking products, including treasury

Customer relationships. We provide financial services to most of our directors. We also provide financial services to some of their immediate family members and affiliated entities. We offer these services in the ordinary course of our business. We provide the services on substantially the same terms and conditions, including price, as we provide to other similarly situated customers.

We also extend credit to some of our directors and their immediate family members and affiliated entities. Federal banking law (Regulation O) governs these extensions of credit. We discuss the impact of Regulation O and our process for managing these extensions on credit on pages 30 and 31.

Business relationships. We also enter into other business relationships with entities affiliated with our directors or their immediate family members. These relationships are in the ordinary course of business.

Mr. Kelson's son and daughter-in-law are each partners in law firms. PNC did not engage Mr. Kelson's son's firm in 2012. PNC engaged Mr. Kelson's daughter-in-law's firm for a portion of 2012 in relation to ongoing matters. As of April 24, 2012, PNC adopted a policy providing that it will not engage the son's or daughter-in-law's law firm as its counsel, as long as one of Mr. Kelson's family members continues to have a relationship with the firm, or as long as Mr. Kelson serves on the Audit, Nominating and Governance, or Personnel and Compensation Committees of our Board of Directors. The law firm may continue to provide services with respect to matters involving an estate, trust, or other traditional fiduciary account where PNC serves as an executor, trustee, or in another traditional fiduciary capacity, as long as an independent third party initially selected the law firm to provide services with respect to the estate, trust, or account. In accordance with this policy, PNC transferred all other active matters from the daughter-in-law's firm to other law firms or internal counsel, as appropriate, on or before April 24, 2012.

The Board evaluated the remaining relationship between PNC and the daughter-in-law's firm through April 24, 2012, but did not consider it to be a material relationship for the following reasons, among others: PNC had engaged the law firm for various services prior to Mr. Kelson joining the Board in 2002 and prior to the daughter-in-law joining the firm; the daughter-in-law provided no legal services personally to PNC; the daughter-in-law does not receive compensation based on the services that the firm provides or has provided to PNC; and the fees paid to the law firm represented less than .1% of the firm's disclosed gross revenues for 2012, and less than 1% of PNC's overall outside counsel expense for 2012.

Certain charitable contributions. We make contributions to charitable organizations where our directors serve as directors or trustees, but not as executive officers. We also match charitable contributions made by our directors. We describe this matching gift program on page 32.

Back to Contents

Related person transactions policies and procedures

Code of ethics. Our Code of Business Conduct and Ethics contains several provisions that regulate related person transactions. The Code of Business Conduct and Ethics applies generally to all employees, including our executive officers and directors.

Doing business with PNC. An employee or an immediate family member may want to engage in a business arrangement, such as the sale or lease of property or the provision of services, with PNC. For these transactions, we require prior approval from a supervisor and our Corporate Ethics Office. If a director desires to engage in a business arrangement with PNC, approval is required from the Corporate Ethics Office and from a Board committee or the independent directors.

Financial services to employees. Our employees and their extended families are encouraged to use PNC for their personal financial services. Any services must be provided on the same terms as are available to the general public, all employees in a market or business, or all similarly situated employees.

Transacting PNC business. We prohibit directors and employees from transacting business on behalf of PNC with a supplier or customer in which the director, employee, or extended family member has a significant personal or financial interest. We also prohibit directors and employees from transacting business on behalf of PNC with respect to their own accounts, extended family member accounts, or accounts for anyone whose close relationship may reasonably be viewed as creating a conflict of interest. Our phrase “extended family member” is similar to the SEC’s definition of “immediate family member” in Item 404(a) of Regulation S-K. We have established procedures in certain of our businesses to permit employees to transact business with family members, subject to appropriate oversight and compliance with applicable laws and regulations, including Regulation O.

Employing relatives. We employ relatives of executive officers and may employ relatives of directors, in some cases under circumstances that constitute related person transactions. See *Family relationships* on page 31. We track the employment and compensation of relatives of executive officers and directors. We have policies that restrict special treatment in the hiring or compensation of a relative of an executive officer or director. Our employment of a director’s relative would be a factor in the determination of the director’s independence under NYSE rules and our own adopted guidelines for director independence. See *Director and Executive Officer Relationships—Director independence*, which begins on page 27.

Waivers. Under the Code of Business Conduct and Ethics, employees may generally request waivers or exceptions from our Corporate Ethics Office. In the case of directors and executive officers, any proposed waiver or exception must be approved by both the Corporate Ethics Office and the appropriate committee of our Board. In 2012, no directors or executive officers requested an exemption under any of the provisions described above.

Ethics guidelines for directors. During 2011 the Nominating and Governance Committee adopted Ethics Guidelines for Directors that contain comprehensive guidance regarding the various PNC policies that govern the conduct of our directors, to supplement and assist directors in understanding these policies. The guidelines include reference to our policies and procedures applicable to directors, including our Code of Business Conduct and Ethics, Related Person Transactions Policy and Regulation O policies and procedures, each described in more detail below, as well as our Director Pre-Clearance of Securities Policy, and our Anti-Corruption Policy.

Related person transactions policy. In 2011, we adopted a new policy for the consideration and approval of related person transactions. This policy was most recently amended on August 16, 2012. This policy provides guidance on the framework for reviewing, approving, or ratifying related person transactions, and establishes our Presiding Director as the individual who decides how transactions should be evaluated. In general, a potential related person transaction that involves a director would be reviewed by our Nominating and Governance Committee, as the transaction could also impact independence. A transaction involving an executive officer would generally be reviewed by the Audit Committee. Under this policy, our Audit Committee will receive reports of approved related person transactions, and the Board will also receive reports on transactions.

Under the policy, a permitted related person transaction must be considered in, or not inconsistent with, the best interest of PNC and its shareholders. A related person transaction is generally any transaction in which PNC or its subsidiaries is or may be a party, in which the amount involved exceeds $120,000, and a director (or nominee), executive officer, or family member may be deemed to have a direct or indirect material interest.

Regulation O policies and procedures. We design additional policies and procedures to help ensure our compliance with Regulation O. This regulation imposes various conditions on a bank's extension of credit to directors and executive officers. Any extensions of credit must comply with our own Regulation O policies and procedures. This includes a separate review by our designated Regulation O credit officer. A director can only meet our guidelines for independence for extensions of credit if the credit complied with Regulation O at the time PNC extended it.

Our Regulation O policies and procedures require:

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Extensions of credit to covered individuals or entities must be made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with those who are not covered. For credit extensions under a benefit or compensatory program widely available to all employees, we may not give preference to any covered individual.

Back to Contents

- The covered extension of credit be made following credit underwriting procedures no less stringent than those prevailing at the time for comparable transactions with non-covered individuals or entities. The extension of credit may not involve more than the normal risk of repayment or present other unfavorable features.

- The amount of covered extensions of credit do not exceed individual and aggregate lending limits, depending on the identity of the borrower and the nature of the loan.

Our subsidiary bank, PNC Bank, National Association, designates a Regulation O Credit Officer to review extensions of credit to determine our compliance with these policies. If an extension of credit would result in an aggregate credit extension of more than $500,000, the bank's Board of Directors must approve it. The bank's Board of Directors receives a report of all extensions of credit made to executive officers under Regulation O.

All loans to directors and executive officers:

- complied with our Regulation O policies and procedures;

- were made in the ordinary course of business;

- were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to PNC; and

- did not involve more than the normal risk of collectibility or present other unfavorable features.

Family relationships

No family relationship exists between any of our directors or executive officers and any of our other directors or executive officers. There are family relationships between certain directors and executive officers and some of the approximately 56,000 PNC employees. These employees participate in compensation and incentive plans or arrangements on the same basis as other similarly situated employees.

Indemnification and advancement of costs

We indemnify directors, officers and, in some cases, employees and agents, against certain liabilities. The covered person may have incurred a liability as a result of service on our behalf or at our request. On behalf of a covered person, we may also advance the costs of certain claims or proceedings. If we advance costs, the person agrees to repay us if it is determined that the person was not entitled to indemnification. The insurance policies we maintain for our directors and executive officers also provide coverage against certain liabilities.

The indemnification provisions, the advancement of costs, and our insurance coverage may provide benefits to our directors and executive officers. During 2012, we advanced costs of less than $5,000 with respect to pending litigation on behalf of our CEO.

Section 16(a) beneficial ownership reporting compliance

Section 16(a) of the Securities Exchange Act of 1934 requires persons who own more than ten percent of a registered class of our equity securities (currently, none) and our directors and executive officers to file with the SEC initial reports of ownership and reports in changes in ownership of any PNC equity securities. To the best of our knowledge all forms were filed on a timely basis during 2012 except for the following. Saiyid Naqvi, one of our executive officers, had a late Form 4 filing related to the redemption by us on July 30, 2012 of all of the outstanding PNC Capital Trust E Trust Preferred Securities. The redemption triggered the filing obligation as he was a beneficial owner of those securities; even though the redemption was not a voluntary action on the officer's part. The information was not processed on a timely basis. The Form 4 was filed on January 30, 2013. Mr. Naqvi also did not file a Form 5 related to a gift of shares made to an irrevocable trust on December 26, 2012. A Form 4 related to this gift was filed on March 5, 2013. Additionally, Mr. Lindsay, one of our directors, did not file a Form 5 related to a gift of shares to a charitable foundation on December 26, 2012. A Form 4 related to this gift was filed on March 8, 2013. In making this statement, we have relied in part on the written representations of our directors and executive officers and on copies of the reports provided to us.

Back to Contents

DIRECTOR COMPENSATION

Our Board's Nominating and Governance Committee reviews all elements of non-employee director compensation, explained below, and makes an annual compensation recommendation to the Board. In addition to annual compensation, the Committee may approve special compensation to a director for extraordinary service. The primary objectives of the Committee's annual review are to confirm continued alignment with business and shareholder interests, evaluate the competitiveness of our director compensation program relative to the peer group, and identify and respond to continued changes in director compensation in light of the competitive environment. The Nominating and Governance Committee conducted its annual compensation review for 2012 on April 24, 2012. The Committee did not utilize a compensation consultant in connection with this review.

Mr. Rohr and Mr. Demchak receive no additional compensation for serving as a PNC director.

The following table describes the components of director compensation in 2012:

Annual Retainer		
Each Director	**$**	**55,000**
Presiding Director	**$**	**20,000**
Additional retainer for Chairs of Audit, Risk, and Personnel and Compensation Committees	**$**	**20,000**
Additional retainer for Chair of Nominating and Governance Committee	**$**	**10,000**
Meeting Fees (Board)		
Each meeting (except for quarterly scheduled telephonic meetings)	**$**	**1,500**
Each quarterly scheduled telephonic meeting	**$**	**750**
Meeting Fees (Committee/Subcommittee)		
First six meetings	**$**	**1,500**
All other meetings	**$**	**2,000**
Equity-Based Grants		
Value of 1,830 deferred stock units awarded as of April 24, 2012	**$**	**119,993**

Deferred compensation plans. Our non-management directors may choose to defer the compensation they receive from meeting fees and retainers under our Directors Deferred Compensation Plan. Our Outside Directors Deferred Stock Unit Plan provides for automatic deferrals of any stock units that we may award from time to time. For compensation deferred under these plans:

- The deferred compensation account tracks the price of PNC common stock (the Directors Deferred Compensation Plan allows a director to track an interest rate option instead). We do not pay above-market or preferential earnings on any director compensation that is deferred.

- The director may choose the payout date and beneficiary (the stock unit plan does not allow a payout date until retirement or age 72).

- The payouts will be made in cash.

Other director benefits. We generally limit the benefits that we provide to our directors, but we regularly provide the following:

- *Charitable matching gifts.* We will match a director's personal gifts to qualifying charities up to a limit of $5,000 a year. Mr. Rohr and Mr. Demchak are only eligible to participate in our employee matching gift program ($2,500 annual limit).

- *Insurance policies.* We pay for various insurance policies that protect directors and their families from personal loss connected with Board service.

- *Benefits related to Board service.* We pay for expenses connected with our directors' Board service, including travel on private or commercial aircraft, lodging, meals, and incidentals. We may also provide other incidental benefits to our directors from time to time, including tickets to cultural, social, sporting or other events and small gifts for holidays, birthdays, or special occasions. We may also provide travel for directors on corporate aircraft for personal purposes in limited circumstances, such as a family emergency or when a seat is available on a previously scheduled flight. We determine the value of these benefits based on the incremental cost to PNC, as described on pages 48 and 49 and we include the amount in the "All Other Compensation" column below.

Director stock ownership requirement. Our Board has adopted a common stock purchase guideline for our non-management directors. Under this guideline, each director must own at least 5,000 shares of PNC common stock (including phantom stock units). Until a director meets this ownership level, he or she must purchase or acquire common stock or stock units that equal at least 25% of the annual retainer for that year. A director may satisfy this requirement through open market purchases, or by deferring compensation into stock units under the Directors Deferred Compensation Plan. As of December 31, 2012, the minimum ownership threshold for directors was valued at $291,550, and all of our directors satisfied the ownership guideline.

Back to Contents

Director compensation in 2012

For the fiscal year 2012, we provided the following compensation to our directors:

Director Name	Fees Earned[(a)]	Stock Awards[(b)]	All Other Compensation[(c)]	Total
Richard O. Berndt	**$ 115,500**	**$ 119,993**	**$ 21,124**	**$ 256,617**
Charles E. Bunch	**$ 87,000**	**$ 119,993**	**$ 16,124**	**$ 223,117**
Paul W. Chellgren	**$ 128,000**	**$ 119,993**	**$ 78,977**	**$ 326,970**
Kay Coles James	**$ 85,000**	**$ 119,993**	**$ 22,171**	**$ 227,164**
Richard B. Kelson	**$ 100,500**	**$ 119,993**	**$ 31,337**	**$ 251,830**
Bruce C. Lindsay	**$ 108,500**	**$ 119,993**	**$ 46,070**	**$ 274,563**
Anthony A. Massaro	**$ 100,000**	**$ 119,993**	**$ 24,325**	**$ 244,318**
Jane G. Pepper	**$ 102,500**	**$ 119,993**	**$ 34,625**	**$ 257,118**
Donald J. Shepard	**$ 139,500**	**$ 119,993**	**$ 34,019**	**$ 293,512**
Lorene K. Steffes	**$ 98,500**	**$ 119,993**	**$ 37,631**	**$ 256,124**
Dennis F. Strigl	**$ 105,500**	**$ 119,993**	**$ 54,909**	**$ 280,402**
Thomas J. Usher	**$ 127,000**	**$ 119,993**	**$ 68,439**	**$ 315,432**
George H. Walls, Jr.	**$ 125,500**	**$ 119,993**	**$ 43,190**	**$ 288,683**
Helge H. Wehmeier	**$ 76,000**	**$ 119,993**	**$ 53,223**	**$ 249,216**

(a)

This column includes the annual retainers, additional retainers for Chairs of standing committees and meeting fees earned for 2012. The amounts in this column also include the fees voluntarily deferred by the following directors under our Directors Deferred Compensation Plan, a non-qualified defined contribution plan: Paul W. Chellgren ($128,000); Kay Coles James ($21,250); Jane G. Pepper ($13,750); Donald J. Shepard ($139,500); Lorene K. Steffes ($34,475); and Dennis F. Strigl ($105,500).

(b)

The dollar values in this column include the grant date fair value, under Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation, of 1,830 deferred stock units awarded to each director's account under our Outside Directors Deferred Stock Unit Plan as of April 24, 2012, the date of grant. The closing stock price of PNC on the date of grant was $65.57 a share. See Note 16 in our Annual Report on Form 10-K for the year ended December 31, 2012 for more information.

(c)

This column includes income under the Directors Deferred Compensation Plan, the Outside Directors Deferred Stock Unit Plan, and the Mercantile Bankshares Corporation Deferred Compensation Plan (for Mr. Shepard only) as follows: Richard O. Berndt ($16,124) Charles E. Bunch ($16,124); Paul W. Chellgren ($78,977); Kay Coles James

($22,171); Richard B. Kelson ($31,337); Bruce C. Lindsay ($46,070); Anthony A. Massaro ($24,325); Jane G. Pepper ($34,625); Donald J. Shepard ($34,019); Lorene K. Steffes ($34,691); Dennis F. Strigl ($49,909);Thomas J. Usher ($68,439); George H. Walls, Jr. ($33,889); Helge H. Wehmeier ($48,043). This column also includes the dollar amount of matching gifts made by us in 2012 to charitable organizations and the value of other incidental benefits described above. For one director the 2012 matching gift amount included above exceeds $5,000 because a 2011 director donation was matched in 2012.

As of December 31, 2012, the non-employee directors listed in the table below had outstanding stock units and stock options in the following amounts:

Director Name	**Stock Units**	**Stock Options**
Richard O. Berndt	**11,461**	**-**
Charles E. Bunch	**11461**	**-**
Paul W. Chellgren	**53,456**	**6,000**
Kay Coles James	**15,551**	**-**
Richard B. Kelson	**21,434**	**2,000**
Bruce C. Lindsay	**22,496**	**-**
Anthony A. Massaro	**16,837**	**6,000**
Jane G. Pepper	**23,587**	**6,000**
Donald J. Shepard	**16,066**	**-**
Lorene K. Steffes	**21,809**	**4,000**
Dennis F. Strigl	**23,088**	**6,000**
Thomas J. Usher	**45,755**	**6,000**
George H. Walls, Jr.	**21,358**	**-**
Helge H. Wehmeier	**32,385**	**-**

No stock options have been granted to any non-employee director since 2005. None of our non-employee directors had any unvested stock awards as of December 31, 2012.

Back to Contents

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In this section (the CD&A), and the tables that follow, we describe how we compensate our executives, including the following named executive officers (NEOs):

Name	**Title**
James E. Rohr	**Chairman and Chief Executive Officer**
Richard J. Johnson	**Executive Vice President and Chief Financial Officer**
William S. Demchak	**President**
Joseph C. Guyaux	**Senior Vice Chairman and Chief Risk Officer**
Michael P. Lyons	**Executive Vice President, Head of Corporate and Institutional Banking**
E. William Parsley, III	**Executive Vice President, Chief Investment Officer and Treasurer**

Table of contents

Back to Contents

Significant compensation decisions

Our Board's Personnel and Compensation Committee made the following significant compensation decisions related to the 2012 performance year:

- Approved a total compensation target for each NEO, with at least 50% of the target amount (60% for Mr. Rohr, Mr. Demchak, and Mr. Lyons) being delivered in equity-based awards that will only pay out, if at all, over multiple years

- Approved a corporate performance factor for senior executives that paid out at 90% of target (which was a reduction from last year's factor, which paid out at 105% of target)

- Considered the results of the 2012 "say-on-pay" vote, which exceeded 96% support from shareholders (PNC has averaged 96% support over the past four years)

- Continued to strengthen the alignment of performance, risk management and incentive compensation by:

  – Granting, in 2013, the long-term incentive award for the 2012 performance year in the following equity-based instruments, which together make up at least half of the target compensation for each NEO:

    (1) 50% in a restricted share unit grant that will take four years to vest in full, and may increase or decrease based on our annual total shareholder return

    (2) 50% in an incentive performance unit opportunity that will pay out, if at all, based on three years of performance against our peers and internal performance goals, with a total potential payout of 125% of the target amount (reduced from 200% in prior years)

  –

Requiring PNC to exceed a regulatory capital threshold before vesting any of the long-term incentive award

–

Requiring a discretionary review of the long-term incentive award – with the potential to eliminate the entire grant – if our return on economic capital does not exceed our cost of capital for the year

•

Enhanced our use of risk management evaluations in making compensation decisions

•

Continued to exercise strong oversight of compensation policies and practices by:

–

Approving revisions to our executive compensation philosophy

–

Strengthening our existing “clawback” policy

–

Enhancing our policy on how we use discretion in incentive compensation decisions

Back to Contents

PNC performance during 2012

PNC is one of the largest diversified financial services companies in the United States. We have businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. As of December 31, 2012, we had more than 56,000 employees providing products and services throughout our primary geographic markets located in 17 states and the District of Columbia. We also provide many of our products and services nationally.

2012 performance highlights

•

In 2012, we performed well in a highly challenging environment and continued to grow customers, revenues, loans, and deposits.

•

We further strengthened our balance sheet and remained a core-funded bank.

•

We continued to make strategic investments to grow PNC's franchise for sustainable long-term growth.

•

We successfully integrated RBC Bank (USA), giving us access to the southeastern United States, a highly desirable market.

•

While the current environment remains challenging, with low interest rates and slow economic growth, we recognize that we operate in a cyclical business and have made strategic investments and used capital to grow our franchise for the long-term.

•

We managed risk throughout the enterprise, with improving credit quality.

•

We have entered the Basel parallel run process and are well-positioned to achieve regulatory capital goals.

•

We increased our dividend again in 2012 and generated a positive total shareholder return for the year.

•

We earned record employee engagement scores and we were recognized as a Gallup Great Workplace winner.

Back to Contents

Based on this performance, and other criteria discussed in this CD&A, our Board's Personnel and Compensation Committee (the Committee) approved an incentive pool in the first quarter of 2013 that was based on 90% of the target incentive amounts determined at the beginning of 2012. We refer to this as the "corporate performance factor," which is what we use to determine the baseline incentive compensation for each executive before we make any individual adjustments. This year's factor of 90% compared to 105% for the 2011 performance year, and over 135% for the 2010 performance year.

For purposes of this chart, we calculated the CEO performance year compensation on an annualized basis, by adding the base salary for each of the three years, and the incentive compensation amounts awarded for performance during that year.

For each year of the three-year period, as shown in the Summary compensation table on page 54, we added the amounts included in the "Salary" and "Non-Equity Incentive Plan Compensation" columns for that year to the amount included in the "Stock Awards" column for the following year. For 2010 and 2011, the amounts include the grant date fair value of the incentive performance units and performance-based restricted share units granted in the first quarter of the following year, including the special performance-based restricted share unit award granted in 2011. For 2012, we used the total incentive compensation awarded amount ($6,428,000) shown on page 44.

Back to Contents

Compensation philosophy and principles

A well-designed compensation program provides incentives to achieve desired results, helps to retain and attract talent, and discourages excessive risk-taking. This section talks about how we view compensation, and why we make the decisions that we do. Our Committee relies on several key principles to help guide its compensation decisions:

COMPENSATION PRINCIPLES

1. **Pay for performance**
2. **Align executive compensation with long-term shareholder value creation**
3. **Provide competitive compensation opportunities to attract, retain, and motivate executives**
4. **Encourage the focus on the long-term success of PNC and discourage excessive risk-taking**

The Committee believes that the successful application of these principles requires a thoughtful program design, blending the clarity provided by performance metrics with the thoughtful application of discretion. The Committee believes that discretion, flexibility, and judgment are critical to its ability to deliver incentive compensation that reflects near-term performance results and progress toward longer-term objectives that enhance PNC’s ability to continue to create value for our shareholders.

WHAT WE DO

Pay for performance	**Most executive pay is at risk and not guaranteed. We set clear financial goals that help us assess corporate performance and we differentiate based on individual achievement. We include performance-based vesting conditions on the equity-based awards that we grant.**
Discourage excessive risk-taking	**We discourage excessive risk-taking by executives in many ways, including our balanced program design, multiple performance measures, clawback and retention provisions, and robust Board and management processes to identify risk. We do not believe that any of our compensation programs create risks that are reasonably likely to have a material adverse impact on the company, which we validate through our risk assessment of incentive-based compensation plans.**
Engage with shareholders	**We actively engage with our shareholders on governance and compensation issues.**
Require strong ownership and retention of equity	**We have adopted strong share ownership guidelines, and all of our NEOs currently comply with those guidelines. Executives also have additional ongoing retention requirements as they receive new equity grants.**
Clawback	**We enhanced our existing clawback policy to allow PNC to recapture prior incentive compensation awarded based on materially inaccurate performance metrics and cancel all or a portion of long-term incentive awards based on performance against risk metrics, risk-related actions or detrimental conduct.**
Limit perquisites	**We believe that perquisites should promote modest business-related benefits and we limit them to $10,000 in value. Executives must reimburse the value of perquisites over that amount.**

Provide reasonable post-employment benefits	**We have closed legacy supplemental defined benefit plans to new entrants and we require shareholder approval on change in control benefits above a certain level. We therefore believe that our post-employment benefits and change in control provisions are reasonable.**
Retain an independent compensation consultant	**The Personnel and Compensation Committee retains an independent compensation consultant that provides no other services to PNC.**

WHAT WE DON'T DO

No tax gross-ups	**Since 2009, we have not entered into any new agreements that permit excise tax gross-ups upon a change in control. We also do not provide tax gross-ups on our perquisites.**
No change in control agreements without shareholder approval	**We will not enter into new change in control arrangements with our executives that would pay more than 2.99 times base and bonus in the year of termination unless we get shareholder approval.**
No option repricing	**We will not reprice stock options that are out-of-the-money.**
No hedging or short sales	**We do not permit any of our employees or directors to hedge PNC securities, or sell PNC securities short.**

Back to Contents

Compensation program—summary

The Committee reviews and approves the compensation to be paid to our CEO, our other executive officers, and our Corporate Executive Group (CEG), a group of senior leaders that includes all of our NEOs. Our compensation program strives to balance multiple objectives and address the concerns of a variety of stakeholders.

As a bank holding company, we must also comply with various regulatory requirements. The Board of Governors of the Federal Reserve (Federal Reserve) regulates PNC as a bank holding company. As part of an ongoing review of incentive compensation programs at large financial institutions, the Federal Reserve has provided guidance and set expectations with respect to our current compensation program, and we expect that the Federal Reserve will continue to be involved in compensation matters.

We strive for clarity and transparency in our compensation structure, utilizing features to design a balanced program. While we try to reflect the expectations of shareholders and regulators, we want our compensation program to achieve multiple objectives, which include:

- Paying for performance while managing risk
- Rewarding measurable financial achievements (earnings per share, return on equity) as well as more qualitative strategic objectives (successful acquisitions, investments in future growth, risk management discipline, talent development)
- Rewarding performance while encouraging retention
- Providing a mixture of short-term and long-term rewards, including payouts based on PNC equity as well as in cash
- Encouraging desired behavior with clearly communicated objectives

Taken as a whole, our program provides incentives for performance over the short and long-term, rewards achievement against measurable goals and qualitative objectives, considers market data, formulas, and discretion, and uses cash today as well as equity deferred into the future. The Committee reviews the operation of our compensation program to help ensure that our objectives continue to be met.

Total compensation targets. We set total compensation targets in the first quarter of the year, or when an executive assumes a new role with PNC. After the end of the year, the Committee evaluates performance to determine whether we performed at, above, or below target, and determines whether pay for the year should be at, above, or below target. For NEOs, our total direct compensation targets generally fall near the median compensation for peers, as adjusted for

PNC's size.

The Committee approves a total compensation target for each NEO that includes the following components:

- A **base salary,** paid in **cash,** which is intended to compensate an executive officer fairly for the responsibilities of the position held. In 2012, base salaries represented 14% of the aggregate total compensation targets for our NEOs.

- A **total incentive compensation target**, which includes an **annual incentive award**, generally paid in **cash,** and a **long-term incentive award,** which is **equity-based** and **deferred** over multiple years. In 2012, the total incentive compensation target represented 86% of the aggregate total compensation targets for our NEOs. For each NEO, at least 50% of the incentive compensation target was tied to PNC equity and deferred over the long term. For Mr. Rohr, Mr. Demchak and Mr. Lyons, this percentage was 60%.

The following charts show the percentage of compensation at risk for the CEO and all other NEOs, on average.

Back to Contents

Performance-based compensation. For members of the CEG, including all NEOs, the Committee approves a corporate performance factor, expressed as a percentage of target incentive compensation. While the corporate performance factor may be derived, in large part, from quantifiable financial performance, the Committee believes that it is essential to retain discretion to increase or decrease the formulaic factor and resulting incentive pool size. This discretion may be used to reflect important performance considerations or external events that are not fully captured by other metrics.

Compensation for each individual may be further increased or decreased based on additional criteria that the Committee considers appropriate in providing a balanced view of individual performance.

In determining individual awards, the Committee may take into account criteria that it deems relevant, including risk management discipline and performance, business unit performance (if applicable), the executive's scope of responsibility and value to PNC, the ability of the executive to help execute the strategic plan, leadership and teamwork, talent development, and any concerns related to retention and succession planning.

The following chart shows how a total compensation target relates to the compensation that we actually award. This chart shows how the Committee uses the following elements to assist it in its decisions:

- market-driven total compensation targets
- a corporate performance factor that reflects the Committee's evaluation of measurable performance metrics, both absolute and relative, as well as its assessment of management's performance against strategic goals
  - the corporate performance factor helps to determine the total incentive pools available for all eligible participants
- once the Committee determines the total available incentive pool, the Committee considers each individual NEO's performance and makes discretionary adjustments, as appropriate, to determine the individual award

Back to Contents

Other compensation and benefits. In addition to the components included in the total compensation target outlined above, our executive compensation program also includes the following components:

•

Perquisites, which are intended to provide modest, business-related benefits and are **limited to $10,000** in value, with **no tax gross**-ups permitted.

•

Change in control arrangements, which are discussed in more detail on pages 69 and 70, and are intended to provide continuity of management in anticipation of, and through, a change in control including by providing compensation in connection with an executive officer's involuntary termination of employment following a change in control.

•

Health benefits and retirement plans, which are intended to promote health and wellness and to help employees achieve financial security after retirement.

Compensation program—decisions

Impact of 2012 "say-on-pay" vote. In 2012, our shareholders voiced substantial support for the compensation of our NEOs, with more than 96% of the votes cast approving the "say-on-pay" advisory vote on executive compensation. This was the fourth year in a row that we provided a "say-on-pay" vote to our shareholders, and we have received support that averaged 96% over those four years. In 2011, our shareholders recommended that we hold an annual "say-on-pay" vote.

As a result of this support in 2012, the Committee did not believe that any significant changes to the compensation program were needed to address shareholder concerns. The Committee considered the results of this vote as one factor in its compensation decisions, among the other factors discussed in this CD&A.

2012 review process. At the beginning of 2012, the Committee reviewed available market data and approved the total compensation targets for each NEO and each other member of the CEG. After the end of the year, the Committee determined the corporate performance factor based on its review of PNC's performance against pre-established goals on key metrics, as well as other considerations.

2012 performance - key metrics. The Committee evaluated several important metrics of absolute and relative performance. The absolute performance metrics included adjusted pre-tax, pre-provision net income (PPNI), EPS, and return on common equity, excluding goodwill (ROCE), while the relative metrics included adjusted EPS growth and ROCE. The Committee believes these metrics collectively represent an appropriate measure of corporate performance.

The evaluation focused equally on absolute and relative performance and translated the average of the metrics into a percentage of target—from 0 to 150%.

Overall, the Committee believed that PNC's solid financial performance in 2012 occurred amidst a challenging environment, and that PNC's leaders had executed exceptionally well on key strategic objectives, including making new acquisitions in desirable markets, continuing to attract customers, and positioning for long-term growth. In addition, the Committee believed that PNC continued to make progress against significant regulatory requirements in 2012, including the entry into the Basel "parallel run" process, capital management and related regulatory submissions regarding capital planning, and mortgage-related regulations.

The Committee believed that PNC's performance in 2012 against the measures selected to help benchmark our relative performance was not as strong as our relative performance in 2011. PNC's adjusted ROCE exceeded our 2012 budget, but actual performance placed us below the peer median (9^{th} out of 13). We achieved positive adjusted EPS growth over 2011, which placed us at 9^{th} in the peer group. Without considering other criteria, the performance metrics translated to a corporate performance factor of 71.9% of target. For the reasons described below, the Committee did not believe that this factor appropriately reflected 2012 performance.

2012 performance – other considerations. In addition to an assessment of absolute and relative performance, the Committee looked at other performance measures, using judgment and discretion to approve a final corporate performance factor. The Committee believes that it is important to retain discretion to allow for adjustments to formula-driven results that might otherwise lead to potential windfalls or excessive penalties. This factor reflects the Committee's view of PNC's overall performance and how that performance translates into our short-term results and prospects for longer-term success.

The Committee first took into account the additional provision for residential mortgage repurchase obligations, with $746 million (out of $761 million for the year) primarily related to loans originated from National City Corporation from 2004 through 2008 in agency securitizations. PNC acquired National City in 2008 and the Committee considered this provision to be unrelated to PNC's core operating results for 2012, as it stemmed from a change in behavior and demand patterns of two government-sponsored enterprises (Fannie Mae and Freddie Mac). Excluding the effect of the $746 million provision, the factor would have increased the performance factor from 71.9% to 88.9% of target.

The Committee also looked at the performance of PNC and the peer group over a multi-year period. While PNC has achieved positive adjusted EPS and EPS growth since 2008, the Committee noted that several peers that had higher EPS growth than PNC in 2012 also had negative earnings in one or more of the previous four years, or had not yet returned to the level of earnings that they had achieved before the financial crisis began.

Back to Contents

During this extended period of volatility, the Committee continued to believe that it was important to take into account the sustainability and stability of financial performance, and whether a bank lost money, eroded shareholder value, or otherwise failed to return to its level of pre-crisis performance. As a result, the Committee considered the financial performance, overall health, and future prospects of PNC and its peer group. The Committee believes that, for some peers, the unprecedented volatility of the past several years resulted in strong annual EPS growth that did not reflect true earnings strength compared to PNC.

In arriving at the final corporate performance factor for 2012 performance, the Committee also considered the significant qualitative performance objectives that PNC had achieved, including ongoing risk management, substantial increases in new customers, expansion into attractive markets, and the overall strategic positioning for the future.

2012 performance – corporate performance factor. As a result of this process, the Committee approved a total incentive compensation pool that equaled 90% of the target incentive compensation amount, which was significantly less than the amount that the Committee approved for last year (105% of target). This reflected PNC's solid overall performance for 2012, which the Committee believed was good, but ultimately below target.

The following chart shows the performance metrics and how PNC compared to both internal goals set at the beginning of 2012, as well as peer performance throughout the year.

2012 CORPORATE PERFORMANCE FACTOR

Absolute metric (2012 goal)	Actual performance, as adjusted	Actual performance, as adjusted, as % of goal	Payout %	Payout grid(e) % of goal	Payout grid(e) Payout %
PPNI ($5.642 billion)(a)	$5.492 billion	97%	96%	>=120%	150%
				110%	125%
				100%	100%
EPS ($6.24)(b)	$5.99	96%	94%	90%	85%
				80%	70%
				50%	40%
ROCE (12.51%)(c)	12.76%	102%	105%	20%	10%
				10%	0%
				<10%	0%
Relative metric	**Actual performance, as adjusted**	**Rank, out of 13 peers(d)**	**Payout %**	**Payout grid(e) Peer rank**	**Payout grid(e) Payout %**
EPS Growth	2.4%	9th	41%	1 st	150%
				2 nd	140%
				3 rd	130%
ROCE(c)	12.76%	9th	50%	4 th	120%
				5 th	110%

Peer Group (including PNC)			
		6 th	100%
		7 th	80%
BB&T	KeyCorp	8 th	60%
Bank of America	M&T Bank	9 th	40%
		10 th	20%
Capital One	Regions Financial	11 th	0%
Comerica	SunTrust	12 th	0%
Fifth Third	U.S. Bancorp		
JPMorgan Chase	Wells Fargo	13 th	0%

Absolute metrics (average)	**98.3%**
Relative metrics (average)	**45.5%**
All metrics (average)	**71.9%**
Final corporate performance factor, after adjustment for factors described above	**90%**

(a)

PPNI, a non GAAP financial measure, equals, net income adjusted for income taxes, provision for credit losses, and certain items approved by our Board's Personnel and Compensation Committee. For 2012, these items included $267 million of integration costs and $295 million of expenses associated with the redemption of trust preferred securities. Please see Annex A for a reconciliation of PPNI to net income, which is the most directly comparable GAAP financial measure.

(b)

EPS, as adjusted, is equal to EPS adjusted for those items described in (a) on an after-tax per share basis. Please see Annex A for a reconciliation of EPS, as adjusted, to EPS, the most directly comparable GAAP financial measure.

(c)

ROCE equals net income attributable to common shareholders divided by average common shareholders' equity. ROCE, as adjusted, a non GAAP financial measure, is equal to net income attributable to common shareholders, as adjusted for those items described in (a) on an after-tax basis divided by average common shareholders' equity, as adjusted to exclude average goodwill. We adjust the peer group calculation as well. Please see Annex A for a reconciliation of the components of ROCE to the most directly comparable GAAP financial measures.

(d)

In ranking EPS Growth, the two peers with one unprofitable year (in either 2011 or 2012), were ranked below peers that were profitable in both years.

(e)

We calculate the payout percentage by interpolating percentages between the relevant payout grid ranks, based on how close PNC is to the rank above and below.

Back to Contents

Individual compensation decisions. After establishing the corporate performance factor of 90%, the Committee evaluated the performance of each of the NEOs. The Board of Directors also evaluated the performance of the CEO in an executive session of the independent directors, with no members of management present.

Based on these evaluations, the Committee granted the following incentive compensation awards to each NEO based on the individual performance and risk management achievements in 2012.

James E. Rohr. Under Mr. Rohr's leadership, PNC achieved strong financial, operational, and organizational results despite a challenging economic environment. We continue to grow customers. Our balance sheet remained core-funded with a loans-to-deposits ratio of 87%. We continued to grow loans and improved credit quality. In determining Mr. Rohr's compensation, the Committee also noted the substantial progress that PNC made to accomplish the strategic initiatives, including but not limited to a successful integration and conversion of RBC.

Richard J. Johnson. During 2012, Mr. Johnson continued his leadership as CFO in maintaining strong financial control and discipline, assisting in managing our interaction with regulatory and supervisory authorities, and collaborating with our business leaders to drive business performance, growth, efficiency and returns. Mr. Johnson is also responsible for maintaining contact with investors, analysts and ratings agencies and in helping to communicate the strategic direction of PNC.

William S. Demchak. As the President, Mr. Demchak is responsible for the performance of all lines of business. Mr. Demchak is very focused on business performance with strong risk management discipline. Under his leadership, all businesses continued the momentum to grow customers and revenue during 2012. The overall business performance exceeded the budget despite a non-budgeted mortgage repurchase reserve of $761 million.

Joseph C. Guyaux. Mr. Guyaux became the Chief Risk Officer in the first quarter of 2012. Mr Guyaux delivered outstanding performance in 2012, strengthening the risk management culture and discipline throughout PNC. Under Mr. Guyaux's leadership, PNC continues to operate within accepted risk parameters and our overall risk profile remained stable despite the increasingly complex regulatory and legislative environment. Mr. Guyaux is also responsible for enterprise-wide compliance.

Michael P. Lyons. Mr. Lyons joined PNC in 2011 and serves as the head of our Corporate & Institutional Banking (C&IB) business segment, the largest of our four business segments by earnings, revenue, and assets in 2012. During 2012, C&IB made solid progress against the strategic priorities, delivered record net income of $2.3 billion (on revenue of $5.7 billion), controlled risk, and added significant customers.

E. William Parsley, III. As the Treasurer and Chief Investment Officer of PNC, Mr. Parsley is responsible for Capital Markets, Asset & Liability Management, Alternative Investment Portfolio Management, Asset Resolution, Balance Sheet Management, and other businesses. In addition to his leadership in driving outstanding core business performance for 2012, Mr. Parsley continued to partner closely with Mr. Guyaux, Chief Risk Officer, to further strengthen our risk management capabilities. He also provided superior leadership in our capital management and planning activities in 2012.

Regulatory-driven changes. As discussed elsewhere in this CD&A, the Committee continues to review and adjust the executive compensation program based, in part, on ongoing regulatory feedback. Following several discussions between management and the Federal Reserve, the Committee reduced the traditional maximum potential payout for the three-year incentive performance units from 200% to 125%. The Federal Reserve expressed a concern that a payout of 200% could encourage executives to take on undue risk in order to achieve an above-target payout. The reduced payout schedule took effect for the grants made in 2013, which were based on 2012 performance.

The maximum payout of 200% has been a part of this particular long-term award since 2006. This change will result in a smaller payout to executives if PNC performs well against its peers over a three-year period. The Committee considered this change to the program, and reviewed the potential impact to executives, looking at both historical and projected payouts.

After considering estimates for the expected loss, and recognizing that the change took effect after the end of the performance year on which the grants were based, the Committee approved an additional pool of compensation, totaling $2 million, to be divided among the executives who received 2013 long-term incentive award grants based on 2012 performance. The Committee intended this pool to serve as a one-time transition to the new grant structure, offsetting the change that reduced compensation opportunity for top performance.

Each executive received a one-time adjustment, in proportion to the size of his or her original target grant. The adjustment was made in a mixture of cash and equity, consistent with how that executive received other incentive compensation.

Back to Contents

The table below shows the value of the incentive compensation awards for 2012 – the annual incentive award paid in cash or stock and the aggregate value of the two long-term incentive awards granted on February 14, 2013.

NEO	Incentive compensation target	Incentive compensation awarded (excluding one-time adjustment)	One-time adjustment for reduction to incentive performance unit grant	Total incentive compensation awarded	Form of total incentive compensation awarded: Cash	Form of total incentive compensation awarded: Equity
James E. Rohr	**$ 6,500,000**	**$ 6,098,000**	**$ 330,000**	**$ 6,428,000**	**0%**	**100%**
Richard J. Johnson	**$ 2,500,000**	**$ 2,400,000**	**$ 107,300**	**$ 2,507,300**	**40%**	**60%**
William S. Demchak	**$ 6,000,000**	**$ 5,400,000**	**$ 289,600**	**$ 5,689,600**	**32%**	**68%**
Joseph C. Guyaux	**$ 2,480,000**	**$ 2,480,000**	**$ 110,800**	**$ 2,590,800**	**38%**	**62%**
Michael P. Lyons	**$ 4,800,000**	**$ 4,320,000**	**$ 236,000**	**$ 4,556,000**	**0%**	**100%**
E. William Parsley, III	**$ 5,000,000**	**$ 4,800,000**	**$ 89,400**	**$ 4,889,400**	**14%**	**86%**

In light of PNC's solid, but ultimately below target, performance, the Committee awarded all of Mr. Rohr's 2012 annual incentive in the form of an equity-based award. This continued to strengthen the alignment between the interests of long-term shareholders and Mr. Rohr.

Mr. Lyons joined PNC in 2011. Unlike other NEOs with longer tenures, Mr. Lyons does not have as significant an equity position in PNC. The Committee awarded all of Mr. Lyons' 2012 annual incentive in the form of an equity-based award. This shift in the mix of compensation for 2012 will strengthen Mr. Lyons's alignment with long-term shareholders and facilitate faster compliance with our strong stock ownership guidelines.

For both Mr. Rohr and Mr. Lyons, the annual incentive award was granted in the form of a three-year restricted stock award. The award has no service requirement, but is subject to transfer and other restrictions that expire on the respective first, second and third anniversaries of the date of the award.

Annual incentive awards. The Committee had prevously approved the eligibility of Mr. Rohr and the next three highest-paid NEOs to receive annual incentive awards under the 1996 Executive Incentive Award Plan, a shareholder-approved plan that allows PNC to receive a tax deduction for certain compensation. At that time the Committee also established the maximum amount that each executive could receive.

Under this 1996 plan, no eligible participant may receive an annual incentive award that exceeds 0.2% of PNC's "Incentive Income" for the year—defined as our consolidated net income, with certain adjustments. Once the year ends, the Committee decides whether to make a downward adjustment from the maximum annual incentive award amount for each participant. In February 2013, the Committee made a downward adjustment from the maximum amount, taking into account the same types of performance factors it used in making compensation decisions for the executive officers who do not participate in the 1996 plan. For more information on this plan and the process for establishing maximum amounts, please see footnote (a) of the Grants of plan-based awards in 2012 table on page 56, and Consideration of tax deductibility on page 48.

Long-term incentive awards. In February 2013, the Committee awarded two separate long-term incentive awards to each NEO. These awards consisted of performance-based restricted share units and incentive performance unit opportunities. The grant value of the overall long-term incentive award was divided evenly between the performance-based restricted share units and the incentive performance units. As in prior years, the Committee granted Mr. Parsley an additional incentive performance unit opportunity tied to the performance of the Asset & Liability Management (ALM) unit that he manages.

The Committee made each of these long-term incentive awards under PNC's shareholder-approved 2006 Incentive Award Plan. Each of these awards are equity-based and the material features are summarized below:

Equity-based award	**Performance conditions and risk-based adjustments**	**Deferral period**	**Amount at risk**
Performance-based restricted share units	• **Units will vest in each of the four years – *only if PNC exceeds a designated capital ratio for that year*** • **Units that otherwise vest will be *adjusted based on PNC's total shareholder return* for the year – from 75% to 125% of the amount that would otherwise vest** • **Units that otherwise vest *may be reduced or eliminated if PNC's return on economic capital does not exceed the cost of capital for the year***	**4 years**	**100%**
Incentive performance units	• ***Performance measured over a three-year period* – PNC's return on common equity without goodwill and performance against peers in earnings per share growth** • **Potential payout ranges from *0% to 125% (reduced from 200%)*** •	**3 years**	**100%**

	Units *may be reduced or eliminated if PNC's return on economic capital does not exceed the cost of capital for the year*		
	• ***If PNC does not exceed a designated capital ratio for the year, performance for that year will be 0%***		
ALM incentive performance units	• ***Performance measured over a three-year period* – and based on the performance of PNC's Asset and Liability Management unit against a benchmark index** • **Potential payout ranges from *0% to 200%* in each of the three years**	**3 years**	**100%**

Back to Contents

Performance-based restricted share units. Based on the corporate performance factor and individual adjustments, we granted performance-based restricted share units (RSUs) to our NEOs in 2013. The RSUs will vest in four equal annual installments.

The number of RSUs that vest in a year will be adjusted by PNC's total shareholder return (TSR) for the prior year, which helps to align the interests of our executives and long-term shareholders. TSR measures the total return of a share of PNC common stock by measuring the change in stock price, plus the reinvestment of any dividends. For any tranche of RSUs, our TSR performance will increase or decrease the vested amount by no more than 25% (75% to 125% of the original amount).

As an example, if an executive receives an initial grant of 10,000 RSUs, he or she will be eligible to receive 2,500 RSUs in each of the four years. The TSR adjustment for each tranche will result in potential payouts between 1,875 RSUs (75% of the initial amount) and 3,125 RSUs (125% of the initial amount).

The Committee believed that this range of adjustment would reward decisions that provide value to our long-term shareholders while discouraging the taking of excessive risks. The TSR adjustment penalizes underperformance and rewards strong performance, but avoids the potential for an unlimited increase that could encourage imprudent short-term risk-taking.

In order to vest, the RSUs require the achievement of risk-based performance goals. If we satisfy the conditions, the performance RSUs will vest in four equal annual installments.

In each of the four years, PNC must meet or exceed the required Tier 1 capital ratio for well-capitalized institutions, as established by our primary banking regulator. We use Tier 1 capital as a threshold performance metric due to its risk-based nature, and the regulatory importance of the measure in assessing the capital adequacy of a financial institution.

The vesting performance condition applies separately to each of the four years—if we do not meet or exceed the capital ratio in a given year, the executive forfeits the installment for that year. Future installments may vest if we meet or exceed the capital requirement at that time.

In addition, for the 2013 grant, if our return on economic capital does not exceed our cost of capital the Committee will not rely solely on a formulaic adjustment but will also perform a second level of review. The purpose of this review is to determine if the performance resulted from reasons that should be deemed as being appropriately beyond management's control or responsibility. These could include things such as the impact of an acquisition that was otherwise deemed to be in the best interests of shareholders, or external events that we could not have reasonably anticipated.

Economic capital attempts to measure the potential impact of an unexpected loss and helps us assess the appropriate capital levels for our firm. If an unlikely event occurs, economic capital represents how much capital we think we would need. Our federal banking regulators require us to measure economic capital. We also use economic capital to set limits on risk-taking activities throughout PNC.

If the Committee determines that a risk-based adjustment is appropriate, the Committee may reduce or eliminate the number of units that would have otherwise been received. The Committee also retains discretion to exempt individuals from this reduction.

Overall, the Committee believes that a combination of these risk-focused design elements—the Tier 1 capital ratio, return on economic capital review, and a TSR adjustment—helps to balance the overall incentive compensation program and objectives.

Performance RSUs will have no voting rights, but dividends will be deemed to accrue. If an installment vests, the recipient will receive shares of PNC common stock. The deemed dividends for that installment will be paid out in cash at the time of vesting.

Incentive performance units. Also based on the corporate performance factor and individual adjustments, we granted incentive performance unit opportunities to our NEOs in 2012 and 2013. These grants will pay out if PNC achieves certain performance objectives over the relevant three-year period (2012 – 2014 and 2013 – 2015).

In both cycles, the objectives include relative earnings per share (EPS) growth. In 2012, the second measure was relative return on common equity, excluding goodwill (ROCE). In 2013, the second measure was return on common equity, excluding goodwill compared to our cost of common equity. For PNC and, where applicable, its peers adjustments will be made on an after-tax basis, for the impact of several items, which are discussed in more detail in footnote (b) of the Grants of Plan-Based Awards in 2012 table on page 56.

Back to Contents

For the grants made in 2012, the potential payout percentage may range from 0 to 200%, with 100% representing the target grant amount. See page 46 for the payout scale for our relative performance. Payouts up to 100% of the target amount will be made in PNC common stock, with any excess (up to 200%) payable in cash. The Committee retains the discretion to reduce, but not increase, a payout calculated by the formula. Incentive performance units will have no voting rights, but dividends will be deemed to accrue and be reinvested. Amounts in respect of deemed dividends will be paid out in cash if the final payout is greater than 100% of the target amount.

Under either grant, 100% of the payout is at risk. The 2013 award is also subject to the Tier 1 Capital requirement described earlier. In addition, both grants are subject to a risk-based trigger that looks at whether our return on economic capital (ROEC) exceeds the cost of our capital, as described earlier.

For the grants made in 2012 and 2013, ROEC will be calculated as annualized earnings for the period, divided by the average economic capital for the year. Earnings will be PNC's publicly-reported earnings adjusted, on an after-tax basis, for the impact of the same items described in footnote (b) of the Grants of Plan-Based Awards in 2012 table on page 56.

The cost of capital will include a performance expectation for a reasonable rate of return on goodwill, and will be approved by the Committee. For 2012, the cost of capital was 11.3% and for 2013, the cost of capital is 8.4% and the cost of common equity is 7.9%.

INCENTIVE PERFORMANCE UNITS – METRICS AND PAYOUT

			Payout grid for relative measures		
				2012 Grant	2013 Grant
Metric	**Purpose**	**Grant year**	**Peer rank**	**Payout %**	**Payout %**
			1st	**200%**	**125%**
Relative earnings per share (EPS) growth	**A common metric that impacts stock price – showing growth rates allows for industry comparisons**	**2012 and 2013**	**2nd**	**183%**	**125%**
			3rd	**167%**	**125%**
			4th	**150%**	**125%**
			5th	**133%**	**116.7%**
Relative return on average common equity without goodwill (ROCE)	**Shows how efficiently we are creating shareholder returns, when compared to peers**	**2012 only**	**6th**	**117%**	**108.3%**
			7th	**100%**	**100%**
			8th	**80%**	**90%**
			9th	**60%**	**80%**
			10th	**40%**	**60%**
			11th	**0%**	**40%**
			12th	**0%**	**0%**
			13th	**0%**	**0%**

Metric	Purpose	Grant year	Payout grid for absolute measures	
			ROCE as % of COCE	Payout %
ROCE compared to the cost of common equity (COCE)	Shows the level of returns that we are generating in excess of expected shareholder returns	2013 only	>=110%	125%
			105%	100%
			100%	75%
			75%	50%
			<=50%	0%

Back to Contents

ALM incentive performance units. For the grants made to Mr. Parsley in 2012 and 2013, the ALM incentive performance unit opportunities will pay out based on the investment performance of PNC's ALM unit compared to a benchmark performance index for the relevant three-year performance period (2012 – 2014 and 2013 – 2015).

The grant has a maximum award size at the end of the performance period of 200% of the target units. Any awarded performance units will be paid in cash.

At the end of the relevant performance period, the Committee will decide whether to exercise negative discretion. In doing so, the Committee expects to take into account such factors as absolute ALM unit financial performance, absolute proprietary trading results, cumulative performance relative to the benchmark, adherence to risk parameters, and contributions to the success of our other businesses. Unlike the other incentive performance units, these units will not be adjusted for the value of any "deemed" dividends accrued.

ALM INCENTIVE PERFORMANCE UNITS – METRICS AND PAYOUT

		Payout grid	
Metric	**Purpose**	**Annual Performance Relative to Benchmark Index**	**Grant Payout %**
Asset and Liability Management Performance	**This measures performance of the asset and liability management unit against a benchmark index**	**+40 basis points or higher**	**200%**
		+20 basis points	**150%**
		0 to -25 basis points	**100%**
		-35 basis points	**40%**
		-40 basis points or below	**0%**

For a discussion of the performance achieved under these awards, and the payouts awarded to NEOs, please read the introduction to the Outstanding Equity Awards at 2012 Fiscal Year-End tables, beginning on page 57.

Compensation policies and practices

The Committee adopts policies and procedures to assist in the fulfillment of its duties, and reviews these from time to time. We describe some of the significant policies and procedures in this section.

Compensation and risk. The Committee evaluates the risks inherent in the incentive compensation program. For a detailed discussion of how the Committee evaluates risk, please see Compensation and Risk, which begins on page 51.

In addition to formal policies and procedures, the Committee has several practices that it follows in the fulfillment of its duties and responsibilities. Some of these practices are described below.

Retaining an independent compensation consultant. The Committee retains Meridian Compensation Partners, LLC as its independent compensation consultant. For a discussion of this relationship and the considerations that the Committee takes into account when determining independence, please see pages 24 and 25.

Selecting a peer group. The Committee selects a peer group each year. We use this group to measure relative performance (as part of our corporate performance factor) and to determine our incentive performance unit payouts. We also use this group for general compensation comparisons.

In approving a peer group, the Committee analyzes several factors, including the mix and complexity of businesses, the markets being served, market capitalization, asset size, and changes resulting from mergers or shifts in strategic direction. We also look at the companies with whom we compete for talent.

For 2012 and 2013, the Committee discussed the composition of the peer group with management and its independent consultant. The following peer group for 2013 remains unchanged from the prior year:

Peer	**Ticker Symbol**
Bank of America Corporation	**BAC**
BB&T Corporation	**BBT**
Capital One Financial Corporation	**COF**
Comerica Incorporated	**CMA**
Fifth Third Bancorp	**FITB**
JPMorgan Chase & Co.	**JPM**
KeyCorp	**KEY**
M&T Bank Corporation	**MTB**
Regions Financial Corporation	**RF**
SunTrust Banks, Inc.	**STI**
U.S. Bancorp	**USB**
Wells Fargo & Company	**WF**

The Committee believes that this peer group provides a balanced mix of institutions in light of our size, mix and scope of businesses, products and services, and sources of executive talent. PNC is positioned between the median and the 75^{th} percentile of the peer group, based on total assets, revenue, and market capitalization.

Back to Contents

Peer		Assets* ($ billions)	Peer		Revenue* ($ billions)	Peer		Market Capitalization* ($ billions)
JPM	$	2,359,141	JPM	$	97,031	WFC	$	180,003
BAC	$	2,209,974	WFC	$	86,086	JPM	$	167,256
WFC	$	1,422,968	BAC	$	83,334	BAC	$	125,136
USB	$	353,855	COF	$	21,396	USB	$	59,710
COF	$	312,918	USB	$	20,064	COF	$	33,727
PNC	**$**	**305,107**	**PNC**	**$**	**15,512**	**PNC**	**$**	**30,788**
BBT	$	183,872	STI	$	10,475	BBT	$	20,369
STI	$	173,442	BBT	$	9,677	STI	$	15,279
FITB	$	121,894	FITB	$	6,651	FITB	$	13,409
RF	$	121,347	RF	$	5,398	MTB	$	12,627
KEY	$	89,236	MTB	$	4,266	RF	$	10,077
MTB	$	83,009	KEY	$	4,231	KEY	$	7,795
CMA	$	65,359	CMA	$	2,546	CMA	$	5,712

*

The peer group data is presented as of December 31, 2012

Clawback of prior compensation. In January 2011, the Committee approved a “clawback” policy that applies to all of our NEOs, as well as other senior executives. This policy, which supplements our existing clawback policies, applies to grants made on or after January 1, 2011. Under the policy, any incentive compensation provided to the affected executives will be subject to clawback if the amount of compensation was based on a performance metric that was materially inaccurate.

For these purposes, performance metrics include any metric, including corporate financial results, used directly or indirectly to determine whether or not incentive compensation is to be provided to an executive (or group of executives) or to determine the amount of any such compensation.

The portion of the incentive compensation that represents the excess over what would have been provided if there had been no material inaccuracy in the performance metric will be subject to clawback. The Committee retains discretion to determine that it would not be in PNC’s best interests to seek to enforce the clawback.

In order to strengthen PNC’s policies and processes in evaluating adverse performance or risk events and determining appropriate incentive compensation adjustments, we made several key enhancements to our clawback policy in 2012. Approved enhancements include:

- An expansion of the clawback provision related to materially inaccurate performance metrics used directly or indirectly to determine compensation amounts; and

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An introduction of a new clawback provision for senior leaders, including all of our NEOs, for risk-related actions that result in or are reasonably expected to result in a material adverse impact to PNC or a business unit

The expansion of the clawback for materially inaccurate performance metrics ensures that we are appropriately able to impact compensation awarded to senior leaders below the executive level as a result of materially inaccurate performance metrics. In addition, by adding the risk-related action clawback, PNC is able to recoup unvested equity awards from senior leaders whose inappropriate risk-taking activities have resulted in or are expected to result in a material adverse impact to PNC in the future. By doing so, PNC is able to add further risk-balancing to our incentive arrangements by accounting for both forward- and backward-looking risk adjustments.

These changes were made effective for incentive compensation awards made on or after January 1, 2013.

Shareholder approval of severance agreements. On February 9, 2011, our Board adopted, at the recommendation of the Committee, a Policy Regarding Shareholder Approval of Future Severance Arrangements. This policy applies to future severance arrangements with executive officers. Under this policy, PNC will not enter into an arrangement with an executive officer that provides for additional severance benefits in an amount exceeding 2.99 times the sum of the executive officer's annual base salary and target bonus for the year of termination, unless the future severance arrangement is approved by the affirmative vote of a majority of votes cast by shareholders on the matter.

The policy applies only to future severance arrangements. Future severance arrangements do not include existing severance agreements or agreements to which PNC becomes obligated in connection with an acquisition, unless in each case the severance agreement is modified to materially increase benefits that would be considered additional severance benefits. Our Board retains the right to amend, terminate or waive the policy and will promptly disclose any such change. We have made this policy available at *www.pnc.com/corporategovernance.*

Since 2009, no new change-in-control agreement has included an excise tax gross-up. For a more detailed discussion on change in control arrangements, please see Change in control agreements on pages 69 and 70.

Consideration of tax deductibility. Section 162(m) of the Internal Revenue Code does not generally allow a company to deduct compensation over $1 million paid to certain executive officers. Under current SEC and tax rules, there is a substantial overlap between the NEOs, including the CEO, and the executive officers whose compensation is subject to Section 162(m).

One exception to this disallowance applies to performance-based compensation paid under shareholder-approved plans. Awards made under our shareholder-approved plans—the 1996 Executive Incentive Award Plan (annual incentive awards) and the 2006 Incentive Award Plan (other equity-based awards)—are intended to be eligible for the performance-based exception and therefore, deductible by PNC for federal income tax purposes.

Although the Committee considers the desirability of limiting PNC's non-deductible expenses when it makes compensation decisions, the Committee believes in maintaining the flexibility and competitive effectiveness of the executive compensation program. Tax deductibility, while an important consideration, is analyzed as one component of the overall program.

Back to Contents

Limiting perquisites. The Committee believes in limiting the amount of perquisites provided to our executives. Since 2009, each executive officer receives a $10,000 allowance for perquisites. If the executive exceeds this allowance, the executive must reimburse PNC for the excess. We consider a benefit to be a perquisite or personal benefit unless its purpose is clearly and exclusively business related. We value perquisites based on their incremental cost to us. The Committee adopted a policy prohibiting executive officers from receiving tax "gross-ups" on any perquisites.

The principal perquisites that we may provide to some or all of our executive officers include: financial consulting and tax preparation services; occasional personal use of corporate aircraft, as approved by our CEO; incidental costs of medical examinations not covered by health insurance; and costs related to home security services. We may provide additional perquisites to an executive officer from time to time.

James E. Rohr, Richard J. Johnson, Joseph C. Guyaux, and William S. Demchak have access to our corporate aircraft for personal flights, but each of these individuals is required to pay PNC for the incremental cost of all such flights, as contemplated under the terms of lease ("time-sharing") agreements between PNC and the executive. During 2012, each of these four executives paid for all personal usage of the aircraft under the terms of these agreements.

The Committee previously approved the time-sharing agreements in order to comply with Federal Aviation Administration (FAA) rules and regulations that would otherwise prohibit executives from reimbursing PNC for the incremental cost of personal flights.

Due to certain operational restrictions and administrative efficiencies, we operate our corporate aircraft under FAA rules and regulations that limit our ability to accept reimbursement for personal aircraft usage. These lease agreements provide a mechanism to obtain reimbursement from the executive. The costs paid by our executive officers under the terms of the agreements include certain incremental costs (such as fuel and pilot expenses), as well as a federal excise tax and other fees. For flights subject to these time sharing agreements, the officer is required to pay us the maximum amount permissible under FAA regulations.

Guidelines on the use of discretion. In 2011, the Committee adopted guidelines regarding the use of discretion in incentive compensation plans. Under these guidelines, the use of discretion will be exercised so that incentive compensation awards are reasonably aligned with risk-adjusted performance, so that higher risk-adjusted performance leads to higher incentive compensation (and lower risk-adjusted performance leads to lower incentive compensation).

The guidance provides, among other things, that discretionary increases in compensation should be based on behaviors, actions, or results that are deemed to be extraordinary, exceed expectations, or provide meaningful direct or indirect benefits to PNC or businesses. At the same time, discretionary reductions in compensation should be based on behaviors, actions, or results that fail to meet expectations or negatively impact our performance, reputation, or work environment.

PNC made several modifications to our guiding principles in 2012 to further strengthen the link between risk-taking behaviors and outcomes and the practical application and documentation of related incentive compensation decisions.

Modifications to the guiding principles on discretion include:

- Enhancing the guidelines to specifically address the need to evaluate both inappropriate risk-taking behaviors in the current year, as well as the outcome of prior inappropriate risk-taking behaviors, when making discretionary incentive compensation decisions; and

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Guidance that, where appropriate, managers will be required to document how discretion was applied to compensation recommendations considering risk taking behaviors in the performance year relative to PNC's risk appetite or defined risk limits, as well as risk-related outcomes.

Executive stock ownership and retention. Our executive officers historically have held a significant portion of their personal wealth in the form of our common stock (or other equity that reflects the performance of our common stock). The Committee believes it is important to require most of our executive officers, including all of the NEOs, to meet minimum stock ownership guidelines.

Our policy denominates the ownership requirement in shares, and each executive officer and other key employees are also subject to additional ownership requirements, even after the original ownership target is met. The ownership requirements increase the number of PNC shares that an individual needs to own over time. The increased ownership amounts are calculated using a percentage of future equity grants. As new awards vest, designated employees need to retain more shares of stock, which they must then hold until they retire or leave PNC. This ownership policy reflects compensation awards over an executive's career, and also ties an executive's personal wealth closely to the performance of PNC and the interests of our long-term shareholders.

Back to Contents

Equity interests that count toward satisfaction of the ownership guidelines include shares owned outright by the officer, or his or her spouse and dependent children, restricted shares (subject to vesting requirements), and shares or stock units held in a benefit plan. The guidelines are as follows:

Officer/Category	**Share ownership (base requirement)**	**Ongoing retention requirement (as shares vest)**
Chairman and CEO	**125,000**	**33%**
Senior Vice Chairman	**50,000**	**33%**
President	**50,000**	**33%**
Management Executive Committee Member*	**25,000**	**25%**
Other Corporate Executive Group (CEG) Members	**25,000**	**25%**
Controller	**5,000**	**10%**

* Includes other executive officers, including all of our other NEOs.

Over time, the guidelines will link additional stock ownership to compensation awards, rather than stock price volatility. For the NEOs, the required stock ownership levels are as follows: James E. Rohr (125,000 shares); Richard J. Johnson (25,000 shares); William S. Demchak (50,000 shares); Joseph C. Guyaux (50,000 shares); E. William Parsley, III (25,000 shares); and Michael P. Lyons (25,000 shares). Newly hired or promoted employees who become subject to these guidelines will have up to six years to satisfy the guidelines. The Committee monitors compliance with these stock ownership guidelines and has determined that our NEOs currently satisfy the guidelines or, in the case of Mr. Lyons, are within the six-year compliance period. All other employees subject to the guidelines either satisfy the guidelines or are within the compliance period.

Timing of equity grants. The Committee has adopted a policy for making equity compensation grants. This policy formalizes the practices that we generally use to grant stock options and other equity awards to all employees, including our NEOs. The Committee believes that making equity grants as of specifically identified dates improves transparency and reduces risk. The Committee also seeks the flexibility to make all of its principal compensation decisions (salary, annual incentive, equity-based grants) on one specific date. We have not granted any stock options to our NEOs since 2010.

Generally, the Committee delegates to management the opportunity to grant equity-based awards to non-executive employees out of a pool of units established by the Committee for each year. The policy for these grants is otherwise the same as the policy applicable to grants to executive officers and other members of senior executive management. Most of these grants are awarded to non-executive employees as part of the annual performance and compensation review process, with the same grant date as the one used for the executive officers and other members of senior executive management. To the extent that units remain in the pool after the annual performance review period, management may grant additional units later in the year, with any stock options being granted two business days after the first quarterly earnings release following the grant decision date.

Restrictions on trading and hedging. We have a policy that prohibits certain employees, including all executive officers, from purchasing or selling our securities beginning 15 days before the end of each calendar quarter until the second business day after we release our earnings for that quarter. We may also impose additional trading restrictions on our executive officers due to the availability of material, non-public information regarding PNC or our securities. In addition, we require certain employees, including all executive officers, to pre-clear personal investments (other than in specified types of securities) made by the individual or any immediate family members.

Our Code of Business Conduct and Ethics and related policies, which apply to all of our employees, have for many years included anti-hedging provisions that prohibit all employees from day trading or short selling PNC securities and prohibit all employees from engaging in transactions in any derivative of PNC securities (other than securities issued under a PNC compensation plan), including buying and writing options.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the Compensation Discussion and Analysis with PNC's management, and based on our review and discussions, we recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

The Personnel and Compensation Committee of the Board of Directors of The PNC Financial Services Group, Inc.

Dennis F. Strigl, ***Chairman***

Charles E. Bunch

Paul W. Chellgren

Richard B. Kelson

Thomas J. Usher

Back to Contents

COMPENSATION AND RISK

This section explains how we consider risk at PNC, and the relationship between risk management, performance, and compensation. We also discuss the risk reviews presented to our Board's Personnel and Compensation Committee, and the methodology we use to assess the potential risks in our incentive compensation plans.

Risk management at PNC

We cannot avoid risk. The successful execution of our strategy requires effective management of the risks we decide to take.

Our risks may be internal or external, within our control or not, but we do not attempt to eliminate all risk. Instead, we want to understand, assess and manage the risk. We want our decisions to reflect a defined risk appetite and a moderate risk philosophy. It is our responsibility to establish an enterprise risk management framework that facilitates risk management for the benefit of our shareholders.

We strive to embed a culture of risk management throughout PNC. With each of our employees, we reinforce the importance of managing risks in executing on our strategic objectives. We set expectations by focusing on risk management and this, together with other risk management tools, helps to create risk-sensitive incentive compensation programs.

We have adopted and implemented a risk philosophy with a goal of managing to an overall moderate level of risk to capture opportunities and optimize shareholder value.

We actively support a risk management culture that promotes communication, teamwork, and our governance structure to help us manage our risks in the best interests of our business and shareholders. We dynamically set our strategies and make distinct risk taking decisions with consideration for the impact to our aggregate risk position.

We set limits on the transactions that may be taken by employees in a line of business. In managing the risks we encounter, we employ the following accepted guiding principles to establish boundaries for the risks which we are willing to accept in the course of doing business. These include being able to effectively:

- identify and understand risks and returns
- make balanced risk decisions
- monitor and manage risks

Our key risk policies are approved at the Board level. We discuss our risk management approach beginning on page 83 of this year's Annual Report on Form 10-K.

We intend that the incentives we build into our executive compensation structure support our risk appetite and that these incentives, when viewed in total, should not encourage our employees to take unnecessary or excessive risks.

Compensation and risk

Our compensation philosophy supports and reflects PNC's risk management culture. Our risk policies and procedures guide our management decisions, including how we compensate employees. By setting and communicating our risk tolerances in advance, we seek to manage and control the risks that employees can take, consistent with their roles and responsibilities. All employees have performance goals that are specifically tied to risk management. We then evaluate employee performance against goals, including how they manage risks throughout the year. We base our incentive compensation decisions on performance throughout the year, on a risk-adjusted basis.

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 and other senior employees that is expected to reward desired behavior over time.

Specifically, we balance our portfolio of awards between fixed and variable compensation; cash and equity-based compensation; and annual and long-term compensation. We base awards on the Committee's assessment of a variety of quantitative and qualitative performance measurements, both on an absolute and a relative basis. Compensation decisions also rely on discretion to consider other factors, such as effective risk management, compliance with controls and ethical duties, competition for top talent, market-based pay levels, and the need to attract, develop, grow, and retain the leadership team.

Back to Contents

Risk review of compensation plans

We have previously performed a detailed analysis of our material incentive compensation plans at PNC — plans that covered 85% of the population eligible to receive incentive compensation awards – and have completed design assessments of these plans. To do this, we relied on work from cross-functional teams that included business unit leaders, and senior executives from our risk management, finance, and human resources functions. We looked at how plan participants could earn incentives under the plan, and evaluated plan design and plan decisions to understand the overall risks, as well as the duration of those risks.

We added several design features to the plans to help balance compensation and risk. These features typically included the addition of a risk-based metric or the introduction of a deferred payout. We also enhanced the documentation regarding how we use discretion in making decisions under these plans, and we modified our performance evaluation process for all of our employees to reflect specific risk considerations.

In addition, we implemented a deferral program for approximately 120 senior leaders to help ensure that their incentive compensation awards reflect risk-adjusted performance outcomes that would pay out, if at all, over a four-year period. This group of senior learders will receive a portion of their incentive compensation in deferred equity-based awards that are subject to risk-based adjustments, effective with incentive compensation related to 2012 performance.

We also completed our identification of individuals — or groups of employees — who could potentially expose us to material financial loss, either individually or a collective group. As with our incentive compensation plan assessment, we also established a cross-functional team to help identify these individuals or groups. We developed systems to help us track the compensation for these employees.

We also continue to refine a framework to help validate the work of our design assessment team and to backtest, on an ongoing basis, our material incentive compensation plans. Developing this framework will help ensure that incentive compensation does not drive or influence excessive risk taking on behalf of the plan participants.

In 2012, our Chief Risk Officer continued to make regular reports (at least quarterly) to our Board’s Personnel and Compensation Committee to discuss risk management and reinforce the connection between effective risk management and incentive compensation. Our Chief Risk Officer also presented the Committee with a risk assessment for each of our principal business units as well as a collective assessment of staff functions including finance, human resources, technology, and operations. In addition, throughout 2012, we had at least one director who was a member of both the Personnel and Compensation and Risk Committees.

This helps to strengthen the linkage between the work that these committees do.

As discussed in our CD&A, the long-term incentive program includes grants to our NEOs and certain other executives that include risk-based metrics. Payouts under these grants could be reduced or eliminated if we do not meet specific risk criteria over the vesting period.

Based on our approach to enterprise risk management, the comprehensive risk review of our incentive compensation plans, our risk assessments for significant businesses and staff functions, and the addition of risk-based metrics to long-term incentive compensation programs, we believe that the risks arising from our compensation plans, policies, and practices are not reasonably likely to have a material adverse effect on PNC.

Back to Contents

COMPENSATION TABLES

Summary compensation table

Name & Principal Position	Year	Salary ($)[a]	Stock Awards ($)[b]	Option Awards ($)[c]	Non-Equity Incentive Plan Compensation ($)[d]	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($)[e]	All Other Compensation ($)[f]	Total ($)
James E. Rohr	2012	$ 1,200,000	$ 4,922,847	-	-	$ 2,684,484	$ 135,475	$ 8,924,806
	2011	$ 1,169,231	$ 8,861,121	-	$ 2,010,000	$ 4,369,782	$ 197,016	$ 16,607,150
Chairman and CEO	2010	$ 1,557,692	$ 2,420,100	$ 5,325,750	$ 2,170,000	$ 4,968,783	$ 158,468	$ 16,600,793
Richard J. Johnson	2012	$ 500,000	$ 1,597,424	-	$ 1,003,650	$ 208,116	$ 40,638	$ 3,349,828
	2011	$ 496,154	$ 1,997,864	-	$ 1,062,500	$ 155,973	$ 45,493	$ 3,757,984
Chief Financial Officer	2010	$ 603,365	$ 510,910	$ 1,124,325	$ 750,000	$ 169,031	$ 40,382	$ 3,198,013
William S. Demchak	2012	$ 750,000	$ 4,416,686	-	$ 1,825,840	$ 473,720	$ 58,894	$ 7,525,140
	2011	$ 750,000	$ 5,903,515	-	$ 2,130,000	$ 428,617	$ 80,830	$ 9,292,962
President	2010	$ 1,168,269	$ 3,306,663	$ 1,775,250	$ 2,710,000	$ 404,041	$ 58,766	$ 9,422,989
Joseph C. Guyaux	2012	$ 620,000	$ 3,610,221	-	$ 985,400	$ 706,775	$ 21,438	$ 5,943,834
	2011	$ 620,000	$ 2,758,081	-	$ 955,000	$ 738,476	$ 39,284	$ 5,110,841
Chief Risk Officer	2010	$ 867,308	$ 806,700	$ 1,775,250	$ 1,037,000	$ 853,263	$ 28,418	$ 5,367,939
Michael P. Lyons	2012	$ 700,000	$ 5,982,880	-	-	$ 11,448	$ 336,352	$ 7,030,680
Head of Corporate & Institutional Banking								

E. William Parsley, III	**2012**	**$ 484,615**	**$ 4,380,190**	**-**	**$ 694,700**	**$ 148,751**	**$ 12,762**	**$ 5,721,018**
	2011	**$ 400,000**	**$ 3,984,997**	**-**	**$ 950,000**	**$ 176,214**	**$ 39,967**	**$ 5,551,178**
Treasurer & Chief Investment Officer	**2010**	**$ 1,115,385**	**$ 268,900**	**-**	**$ 3,700,000**	**$ 253,227**	**$ 6,654**	**$ 5,344,166**

(a)

The “Salary” column includes amounts paid in cash, and for 2010 only, amounts paid in stock units.

The “Salary” column also includes any salary amounts deferred by an NEO under qualified (ISP) or non-qualified (SISP, DCP and DCIP) benefit plans. We describe these PNC plans on page 65. Please also see the Non-qualified deferred compensation in fiscal 2012 table on page 66 for the aggregate deferrals during 2012.

(b)

The amounts in the “Stock Awards” column reflect the grant date fair value of stock awards. The grant date fair values are calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (FASB ASC Topic 718). See Note 16 in our Annual Report on Form 10-K for the year ended December 31, 2012 (10-K Note 16) for more information. In 2012, stock awards were granted on February 7, 2012 consisting of long-term incentive performance units and performance-based restricted share units, and for Mr. Parsley, a grant of ALM incentive performance units. In connection with Mr. Lyons joining PNC he was granted restricted shares on January 20, 2012 based on the NYSE closing price on that day of $59.63. In connection with Mr. Guyaux assuming the role of Chief Risk Officer he was granted restricted shares on February 15, 2012 based on the NYSE closing price on that day of $59.51. The grant date fair value of the incentive performance units and the ALM incentive performance units is calculated using the target number of units underlying the award and a per share value based on the NYSE closing price of our common stock on February 7, 2012 of $60.70. The grant date fair value of the performance-based restricted share units is calculated using the target number of units underlying the award and a grant date fair value per unit of $63.42. If PNC’s performance during the applicable measurement period results in the maximum number of units vesting, our executives would each be entitled to receive a maximum award with a grant date fair value of the maximum award as follows:

Back to Contents

NEO	Grant Date Fair Value of Maximum Award Incentive Performance Units	Performance-Based Restricted Share Units
James E. Rohr	**$ 4,814,967**	**$ 3,144,205**
Richard J. Johnson	**$ 1,562,418**	**$ 1,020,269**
William S. Demchak	**$ 4,319,898**	**$ 2,820,922**
Joseph C. Guyaux	**$ 1,574,922**	**$ 1,028,435**
Michael P. Lyons	**$ 3,299,895**	**$ 2,154,853**
E. William Parsley, III*	**$ 1,349,968**	**$ 881,538**

*

The grant date fair value of Mr. Parsley's ALM grant at the maximum value is $5,999,952.

See the Grants of plan-based awards in 2012 table on pages 55 and 56 for more information regarding the grants we made in 2012, the Outstanding equity awards at 2012 fiscal year-end table on pages 59 to 61 for more information regarding options and other awards outstanding at December 31, 2012, and the Option exercises and stock vested in fiscal 2012 table on page 62 for more information regarding stock vesting during 2012.

(c)

There were no stock option grants to the NEOs during 2012 or 2011.

(d)

Our NEOs received an annual incentive award for each of 2011 and 2010 performance that we paid entirely in cash in the first quarter of the following year. For 2012, performance, Mr. Demchak, Mr. Guyaux, Mr. Johnson and Mr. Parsley each received an annual incentive award paid entirely in cash in the first quarer of 2013. Mr. Rohr and Mr. Lyons did not receive a cash award, but were awarded restricted shares on February 14, 2013 as discussed on page 44.

(e)

The dollar amounts in this column include the increase in the actuarial value of our Cash Balance Pension Plan, Excess Pension Plan and Supplemental Executive Retirement Plan, as measured from the plan measurement date used for our 2011 audited consolidated financial statements to the plan measurement date used for our 2012 audited consolidated financial statements. We describe these plans on page 63. The amounts include both (1) the increase in value due to an additional year of service, compensation increases and plan amendments (if any) and (2) the change in value attributable to interest.

We do not pay above-market or preferential earnings on any compensation that is deferred on a basis that is not tax-qualified, including such earnings on non-qualified defined contribution plans. For an additional explanation on how we calculate the earnings on our deferred compensation plans, see the 2012 rates of return chart in the Non-qualified deferred compensation in fiscal 2012 table on page 67.

(f)

The amounts in this column include, for all NEOs, net of any reimbursements to PNC: (1) the dollar value of matching contributions made by us to the ISP; (2) the net insurance premiums paid by us in connection with our Key Executive Equity Program; (3) the executive long-term disability premiums paid by us; and (4) for 2011 and 2010, the dividends that had accrued on the 2010 and 2009 base salary paid in stock units. For Mr. Lyons, the 2012 amount includes taxable reimbursement for relocation expenses in connection with his move to Pittsburgh, as well as the incremental cost of certain flights on our corporate aircraft in connection with the relocation. None of our NEOs received perquisites with a value that exceeded $10,000, after giving effect to any reimbursements made by executives in accordance with our policy. Our Personnel and Compensation Committee prohibits reimbursements for taxes in connection with perquisites and personal benefits.

All other compensation for 2012 consisted of the following:

NEO	**Relocation**	**Perquisites and Other Personal Benefits**	**Registrant Contributions to Defined Contribution Plans**	**Insurance Premiums***	**Total to Summary Compensation Table**
James E. Rohr		**-**	**$ 10,000**	**$ 125,475**	**$ 135,475**
Richard J. Johnson		**-**	**$ 10,000**	**$ 30,638**	**$ 40,638**
William S. Demchak		**-**	**$ 10,000**	**$ 48,894**	**$ 58,894**
Joseph C. Guyaux		**-**	**$ 10,000**	**$ 11,438**	**$ 21,438**
Michael P. Lyons	**$ 336,352**	**-**	**-**	**-**	**$ 276,975**
E. William Parsley, III		**-**	**$ 12,762**	**-**	**$ 12,762**

*

We pay premiums for most of the NEOs, in connection with our Key Executive Equity Program, a split-dollar insurance arrangement. However, new participants have not been permitted in this program since 2007. In addition, we pay long-term disability premiums on behalf of most of our NEOs. The dollar amounts under the “Insurance Premiums” column include the 2012 net premiums we paid in connection with our Key Executive Equity Program on behalf of James E. Rohr ($114,579); Richard J. Johnson ($20,400); William S. Demchak ($40,534); and Joseph C. Guyaux ($353). These net premiums represent the full dollar amounts we paid for both the term and non-term portions of this plan, after any officer contributions. The amounts under this column also include the long-term disability premiums we paid on behalf of James E. Rohr ($10,896); Richard J. Johnson ($10,238); William S. Demchak ($8,360); and Joseph C. Guyaux ($11,085).

Back to Contents

Grants of plan-based awards in 2012

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[(a)]			Estimated Future Payouts Under Equity Incentive Plan Awards[(b)]			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	G
pe	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)[(c)]	(#)	
Rohr										
centive	February 6, 2012	-	$ 1,880,000	$ 8,806,000						
nce Units	February 7, 2012				-	39,662	79,324			$
nce-Based Share	February 7, 2012				-	39,662	49,577			$
. Johnson										
centive	February 6, 2012	-	$ 1,000,000	$ $1,500,000						
nce Units	February 7, 2012				-	12,870	25,740			$
nce-Based Share	February 7, 2012				-	12,870	16,087			$
. Demchak										
centive	February 6, 2012	-	$ 1,950,000	$ 8,806,000						
nce Units	February 7, 2012				-	35,584	71,168			$
nce-Based Share	February 7, 2012				-	35,584	44,480			$
Guyaux										

centive	February 6, 2012	-	$ 930,000	$ 8,806,000					
nce Units	February 7, 2012				-	12,973	25,946		$
nce-Based Share	February 7, 2012				-	12,973	16,216		$
Share	February 15, 2012							33,608	$
. Lyons									
centive	February 6, 2012	-	$ 1,500,000	$ 8,806,000					
nce Units	February 7, 2012				-	27,182	54,364		$
nce-Based Share	February 7, 2012				-	27,182	33,977		$
Share	January 20, 2012							43,754	$

Back to Contents

ype	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[a] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[b] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)[c]	All Other Option Awards: Number of Securities Underlying Options (#)	Gr Fa an
m Parsley, III										
ncentive	February 6, 2012	-	$ 750,000	$ 1,125,000						
e ance Units	February 7, 2012				-	11,120	22,240			$
centive ance Units	February 7, 2012				-	49,423	98,846			$ 2
ance-Based d Share	February 7, 2012				-	11,120	13,900			$

unts listed in the "Target" column relate to the target annual incentive award for the 2012 performance year. Annual incentive awar
l in 2013. The "Target" column lists the target annual incentive award included in the total compensation target approved by our Board
pensation Committee for each NEO as of the date listed. For NEOs who are covered employees under §162(m) of the Internal Revenue
amended, the calculation of the "Maximum" amount was approved by the Personnel and Compensation Committee on February 29, 2
of our "Incentive Income," an adjusted net income metric that is defined in the 1996 Executive Incentive Award Plan. At the time the
s set, the Committee uses a budgeted amount for 2012, which is included as $8,806,000 in the "Maximum" column. For Mr. Johns
the "Maximum" amount consists of the target annual incentive multiplied by 150% - the maximum amount comtemplated by the pay
In the aggregate, the annual incentive awards paid to the NEOs are limited by the incentive compensation pool that the Committee a
o that overall limitation, the Committee could exercise its discretion to provide an annual incentive award that exceeds 150% of targe
ws the maximum amount that could be provided by relying solely on the formula.

unts listed in these columns include the incentive performance unit grants and the performance-based restricted share unit grants, a
l on pages 44 to 46. As there is no guaranteed minimum payout for these awards and, in the case of the incentive performance unit g
l and Compensation Committee has discretion to decrease any award otherwise payable, we have not included a "Threshold" amo
The "Target" amount represents 100% of the grant and the "Maximum" amount represents 200% of the grant for the incentive performa
the grant for the performance-based restricted share units. For the incentive performance unit grants, the performance period

, 2012 and will end on December 31, 2014. For the performance-based restricted share unit grants, the performance period began on J will end on December 31, 2015 with vesting opportunities for a portion of the grant on each of the four applicable grant date anniversa

on, for Mr. Parsley the amounts also include an ALM incentive performance unit grant as described in footnote (b) to the S ation table on page 53. For a discussion of the terms, conditions and performance goals related to this incentive performance unit grant, ere is no guaranteed minimum payout for Mr. Parsley's award, and the Personnel and Compensation Committee has the discretion to d otherwise payable, we have not included a "Threshold" amount in this column for this award. The "Target" amount represents 100% Maximum" amount represents 200% of that grant. For this grant, the performance period began on January 1, 2012 and will end on De

nining the payout for regular grants of incentive performance units made in 2012, adjustments will be made on an after-tax basis for th

ordinary items (as such term is used under GAAP)

ulting from a change in tax law

ued operations

on costs and merger integration costs

or expense arising from specified Visa litigation and any other gains recognized on redemption or sale of Visa shares as applicable

case, the net impact on PNC of significant gains or losses related to BlackRock transactions

ion of the accretion of any remaining issuance discount in connection with the redemption of any preferred stock

charges or benefits related to the redemption of trust preferred or other preferred securities

unts listed in this column for Mr. Guyaux and Mr. Lyons include a restricted share grant as described in footnote (b) to the S ation table on page 53.

t date fair values for incentive performance units and performance-based restricted share units are all calculated in accordance with FA
8. See 10-K Note 16 for more information. The grant date fair values for incentive performance units and ALM incentive performa
the closing price for our common stock on February 7, 2012 of $60.70. The grant date fair values for the performance-based restric
based on the ASC 718 grant date fair value per unit of $63.42. The grant date fair values for incentive performance units and performar
share units represent the target amount of units in the grant. The grant date fair value for the restricted share award to Mr. Guyaux r
g price for our common stock on February 15, 2012 of $59.51. The grant date fair value for the restricted share award to Mr. Lyons r
g price for our common stock on January 20, 2012 of $59.63.

Back to Contents

Outstanding equity awards at 2012 fiscal year-end

The following tables show, for each NEO, the outstanding equity awards as of December 31, 2012. These awards include the following:

- Grants of stock options exercisable over time
- Grants of stock options exercisable over time that require PNC's stock price reaching a 20% premium over the exercise price
- Grants of restricted stock
- Grants of incentive performance unit opportunities, specifically:
  - Regular units granted in 2010, 2011 and 2012 that may pay out if PNC achieves specific performance criteria as measured against a peer group and for 2012 grants, a risk metric measured against our cost of capital
  - In recognition of Mr. Demchak's oversight of the asset and liability management (ALM) function at PNC during 2010, Mr. Demchak was granted units that will only pay out if our ALM unit outperforms a benchmark index during the 2010 to 2012 performance period
  - In recognition of Mr. Parsley's management responsibilities regarding the ALM function at PNC during 2011 and 2012, Mr. Parsley was granted units in 2011 and 2012 that will only pay out if our ALM unit outperforms a benchmark index during the 2011 to 2013, or 2012 to 2014 performance period, respectively
- Grants of performance-based restricted share units, specifically:
  - Annual long-term incentive awards, each granted in 2011 and 2012, and a special achievement award granted in 2011, each that will pay out if PNC meets the minimum well-capitalized Tier 1 capital ratio established by our primary regulator; payout may be adjusted by 25% up or down based on TSR in each year

With respect to the following three forms of equity-based awards included in the table, the Committee made performance-based or risk-based determinations in the first quarter of 2013, as described in more detail below:

Performance-based restricted share units

The performance-based restricted share units are included in the following table as of December 31, 2012. At a meeting held on January 28, 2013, our Board's Personnel and Compensation Committee certified the levels of performance achieved for the 2012 tranche of each of the 2011 regular and special achievement grants and the 2012 grants and determined the payout level. The Committee certified that the required Tier 1 capital ratio of 6% established by our primary regulator had been achieved. The Committee then determined the size of the payout, which could range from 75% to 125% of the target number of units based on TSR. The Committee approved a payout at 103.66% for the applicable tranche of each of the 2011 and 2012 grants.

2011 and 2012 grants

Metric	**Status**
Tier 1 risk-based capital ratio at least 6%	**11.7% (exceeded)**
Total shareholder return (TSR)	**103.66% (Target + 3.66% TSR for 2012)**

Incentive performance units

The 2010 grants of incentive performance units are included in the following table as of December 31, 2012. At a meeting held on January 28, 2013, our Board's Personnel and Compensation Committee certified the levels of performance achieved for the April 1, 2010 to December 31, 2012 performance period and determined the payout level. The units provided an opportunity for the executive to receive a payout after the end of the performance period based on our earnings per share growth (EPS growth) and return on average common shareholders' equity (ROCE) performance, each adjusted as defined in the grants, relative to our peers. The Committee approved a payout at 89.85% for these awards.

2010 grants (based on April 1, 2010-December 31, 2012 performance period)

	Payout % (PNC Ranking out of 13 Companies)			**Overall Payout**
	2010	**2011**	**2012**	**Percentage**
EPS Growth	**176 % (2)**	**40 % (10)**	**47 % (10)**	**89.85 %**
ROCE	**145 % (4)**	**108 % (7)**	**57 % (9)**	

Back to Contents

ALM incentive performance units

The ALM-based incentive performance unit grant made to Mr. Demchak in 2010 was outstanding as of December 31, 2012 and is included in the following tables. At a meeting on January 28, 2013, our Board's Personnel and Compensation Committee certified the levels of performance achieved under Mr. Demchak's ALM-based grant and determined the final award. The maximum potential payout percentage was 200%. The maximum permitted payout for these units is generated by applying the performance factor to the number of target share units of 46,485. The Committee approved payout at the maximum payout permitted for the performance achieved, resulting in 92,970 units. In accordance with the terms of this grant, the ALM-based units awarded to Mr. Demchak paid out entirely in cash share equivalents.

2010 grant (based on April 1, 2010-December 31, 2012 performance period)

Metric	**Payout Percentage**			
	2010	**2011**	**2012**	**Overall**
Performance of ALM unit against benchmark index	**200 %**	**200 %**	**200 %**	**200 %**

Back to Contents

t Date rformance d[a]	No. of Securities Underlying Unexercised Options (#) Exercisable [b]	No. of Securities Underlying Unexercised Options (#) Unexercisable [b]	Option Exercise Price ($)	Option Expiration Date	Grant Date or Performance Period [a]	No. of Shares or Units of Stock That Have Not Vested (#)[c]	Market Value of Shares or Units of Stock That Have Not Vested ($)[d]	Equity Incentive Plan Awards: No. of Unearned Shares, Units or Other Rights That Have Not Vested (#)[e]	E Ince Aw Mark Pa V Unea Sh or C R That V
Option Awards					Stock Awards				
s E. Rohr									
ns Exercisable Over Time					*Performance-Based Restricted Share Units*				
ry 25, 2005	247,000		$ 53.50	January 25, 2015	Jan. 1, 2011–Dec. 31, 2014			32,849	$ 1,91
ry 23, 2006	275,000		$ 65.45	January 23, 2016	Jan. 1, 2011–Dec. 31, 2014			35,468	$ 2,06
mber 17,	64,313		$ 69.38	January 3, 2013	Jan. 1, 2012–Dec. 31, 2015			40,024	$ 2,33
ry 25, 2007	203,500		$ 72.65	January 25, 2017	*Incentive Performance Units*				
17, 2007	206,507		$ 74.65	January 6, 2014	Apr. 1, 2010–Dec. 31, 2012			47,344	$ 2,76
ry 22, 2008	242,000		$ 57.21	January 22, 2018	Jan. 1, 2011–Dec. 31, 2013			45,227	$ 2,63
ary 12,	290,400		$ 31.07	February 12, 2019	Jan. 1, 2012–Dec. 31, 2014			40,444	$ 2,35
ary 12,	400,000		$ 31.07	February 12, 2019					

26, 2010	150,000	75,000	$ 66.77		April 26, 2020

ns with Additional Performance Criteria

21, 2008		350,000	$ 63.69	(f)	July 21, 2018

Richard J. Johnson

Options Exercisable Over Time

January 25, 2005	20,000		$ 53.50		January 25, 2015
July 22, 2005	10,000		$ 55.37		July 22, 2015
January 23, 2006	49,500		$ 65.45		January 23, 2016
January 25, 2007	44,000		$ 72.65		January 25, 2017
January 22, 2008	60,500		$ 57.21		January 22, 2018
February 12, 2009	72,600		$ 31.07		February 12, 2019
February 12, 2009	90,000		$ 31.07		February 12, 2009
April 26, 2010	31,666	15,834	66.77		April 26, 2020

Options with Additional Performance Criteria

July 21, 2008		83,000	$ 63.69	(f)	July 21, 2018

Performance-Based Restricted Share Units

Jan. 1, 2011–Dec. 31, 2014	7,719	$ 450,095
Jan. 1, 2011–Dec. 31, 2014	7,389	$ 430,853
Jan. 1, 2012–Dec. 31, 2015	12,987	$ 757,272

Incentive Performance Units

Apr. 1, 2010–Dec. 31, 2012	9,994	$ 582,750
Jan. 1, 2011–Dec. 31, 2013	10,626	$ 619,602

Back to Contents

Option Awards					**Stock Awards**				
rant Date Performance riod[a]	**No. of Securities Underlying Unexercised Options (#) Exercisable** [b]	**No. of Securities Underlying Unexercised Options (#) Unexercisable** [b]	**Option Exercise Price ($)**	**Option Expiration Date**	**Grant Date or Performance Period** [a]	**No. of Shares or Units of Stock That Have Not Vested (#)**[c]	**Market Value of Shares or Units of Stock That Have Not Vested ($)**[d]	**Equity Incentive Plan Awards: No. of Unearned Shares, Units or Other Rights That Have Not Vested (#)**[e]	**Equi Incenti Pl Award Market Payo Val Unearn Shar Un or Oth Righ That Ha N Vest ($**
William S. Demchak									
Options Exercisable Over Time					***Performance-Based Restricted Share Units***				
January 23, 2006	110,000		$ 65.45	January 23, 2016	Jan. 1, 2011–Dec. 31, 2014			23,393	$ 1,364,046
February 16, 2006	40,110*		$ 69.66	January 3, 2013	Jan. 1, 2011–Dec. 31, 2014			20,690	$ 1,206,434
February 27, 2006	10,000*		$ 70.90	January 3, 2013	Jan. 1, 2012–Dec. 31, 2015			35,909	$ 2,093,854
November 7, 2006	28,512*		$ 69.67	January 3, 2013	***Incentive Performance Units***				
January 25, 2007	82,500		$ 72.65	January 25, 2017	Apr. 1, 2010–Dec. 31, 2012			15,781	$ 920,190
October 29, 2007	57,861*		$ 71.81	January 6, 2014	Apr. 1, 2010–Dec. 31, 2012			92,970	$ 5,421,081
January 22, 2008	93,500		$ 57.21	January 22, 2018	Jan. 1, 2011–Dec. 31, 2013			32,207	$ 1,877,990
February 12, 2009	112,200		$ 31.07	February 12, 2019	Jan. 1, 2012–Dec. 31, 2014			36,286	$ 2,115,837

February 12, 2009	180,000		$ 31.07		February 12, 2019
April 26, 2010	50,000	25,000	$ 66.77		April 26, 2020
Options with Additional Performance Criteria					
July 21, 2008		138,000	$ 63.69	(f)	July 21, 2018

Joseph C. Guyaux

Options Exercisable Over Time						***Restricted Share Award***		
January 23, 2006	121,000		$ 65.45		January 23, 2016	February 15, 2012	33,608	$ 1,959,682
January 25, 2007	88,000		$ 72.65		January 25, 2017	***Performance-Based Restricted Share Units***		
August 21, 2007	30,720*		$ 72.71		January 6, 2014	Jan. 1, 2011–Dec. 31, 2014	11,187	$ 652,314
January 22, 2008	99,000		$ 57.21		January 22, 2018	***Jan. 1, 2011–Dec. 31, 2014***	9,162	$ 534,236
February 12, 2009	118,800		$ 31.07		February 12, 2019	Jan. 1, 2012–Dec. 31, 2015	13,091	$ 763,336
February 12, 2009	180,000		$ 31.07		February 12, 2019	***Incentive Performance Units***		
April 26, 2010	50,000	25,000	$ 66.77		April 26, 2020	Apr. 1, 2010–Dec. 31, 2012	15,781	$ 920,190
Options with Additional Performance Criteria						Jan. 1, 2011–Dec. 31, 2013	15,402	$ 898,091
July 21, 2008		142,000	$ 63.69	(f)	July 21, 2018	Jan. 1, 2012–Dec. 31, 2014	13,229	$ 771,383

Back to Contents

	Option Awards				Stock Awards				
rant Date Performance riod[a]	No. of Securities Underlying Unexercised Options (#) Exercisable [b]	No. of Securities Underlying Unexercised Options (#) Unexercisable [b]	Option Exercise Price ($)	Option Expiration Date	Grant Date or Performance Period [a]	No. of Shares or Units of Stock That Have Not Vested (#)[c]	Market Value of Shares or Units of Stock That Have Not Vested ($)[d]	Equity Incentive Plan Awards: No. of Unearned Shares, Units or Other Rights That Have Not Vested (#)[e]	Equ Incenti Pl Aware Market Payo Val Unearn Shar Un or Oth Righ That Ha N Vest ($
Michael P. Lyons									
					Restricted Share Award				
					January 20, 2012	43,754	$ 2,551,296		
					Performance-Based Restricted Share Units				
					Jan. 1, 2012–Dec. 31, 2015			27,430	$ 1,599,443
					Incentive Performance Units				
					Jan. 1, 2012–Dec. 31, 2014			27,718	$ 1,616,237
E. William Parsley, III									
Options Exercisable Over Time					***Performance-Based Restricted Share Units***				
December 18, 2003	25,000		$ 53.41	December 18, 2013	Jan. 1, 2011–Dec. 31, 2014			11,964	$ 697,621
January 6, 2004	75,000		$ 54.04	January 6, 2014	Jan. 1, 2011–Dec. 31, 2014			7,389	$ 430,853
January 25, 2005	75,000		$ 53.50	January 25, 2015	Jan. 1, 2012–Dec. 31, 2015			11,221	$ 654,297
July 21, 2008	25,000		$ 63.69	July 21, 2018	***Incentive Performance Units***				
February 12, 2009	50,000		$ 31.07	February 12, 2019	Apr. 1, 2010–Dec. 31, 2012			5,260	$ 306,711
								16,472	$ 960,482

Jan. 1, 2011–Dec. 31, 2013			
Jan. 1, 2011–Dec. 31, 2013[g]	38,934	$	2,270,242
Jan. 1, 2012–Dec. 31, 2014	11,339	$	661,177
Jan. 1, 2012–Dec. 31, 2014[g]	98,846	$	5,763,710

*

With respect to these options, the officer exercised a previously granted option with a “reload” feature and received a new stock option grant, shown in this table, as the result of “reloading” the previously granted option. In 2004, the Committee decided to eliminate the “reload” feature from future option grants. Options with this feature could only be reloaded once; the reload options cannot be replaced when they are exercised.

(a)

This column shows the grant dates of stock options and restricted stock, and the performance period for the regular and ALM incentive performance units and the performance-based restricted share units.

(b)

The vesting schedule for the stock option grants listed in this column is as follows:

Option grants that have been “reloaded” – vest 100% on the anniversary of the original grant date.

Option grants on July 21, 2008 – 3-year cliff vesting, if the performance criterion in footnote (f) below has been achieved.

Option grants on February 12, 2009 related to the National City integration vested on February 12, 2012 based on meeting the performance criteria.

All other options – 1/3 vesting each year, beginning on the anniversary of the grant date.

(c)

This column reflects grants of restricted shares to Mr. Guyaux and Mr. Lyons. Mr. Lyons’ award vests 1/3 each year, beginning on the anniversary of the grant date. Mr. Guyaux’s award vests 1/3 each year on January 2, 2013, 2014 and 2015 if the requisite service conditions are met.

(d)

The market value of these awards is calculated using our common stock closing price of $58.31 a share on December 31, 2012.

(e)

This column reflects the incentive performance unit opportunities granted in 2010, 2011 and 2012, and the ALM incentive performance unit opportunities granted to Mr. Demchak in 2010 and to Mr. Parsley in 2011 and 2012. This column also includes the performance-based restricted share units granted in 2011 and 2012.

For the regular incentive grants, this column reflects the target amounts that could be paid under the 2010, 2011 and 2012 grants. These amounts also include deemed dividends accrued and reinvested as units through the end of 2012. As discussed above, the actual payout for the 2010 grant was at 89.85%. Actual payouts, if any, for the 2011 grants will not be determined until early 2014 and until early 2015 for the 2012 grants, and could differ from the amounts listed.

For Mr. Demchak, this column reflects the maximum amount that could be paid under the 2010 ALM incentive performance unit grant. His grant does not provide for any deemed dividends to be accrued and reinvested. As discussed above, the actual payout for Mr. Demchak's 2010 ALM incentive performance unit grant was at the maximum.

For Mr. Parsley, this column reflects the maximum amount that could be paid under the 2011 and 2012 ALM incentive performance unit grants. These grants do not provide for any deemed dividends to be accrued and reinvested. The actual payout for Mr. Parsley's 2011 ALM incentive performance unit grant will not be determined until early 2014 and until early 2015 for the 2012 grant, and could differ from the amount listed.

For the performance-based restricted share units granted in 2011 and 2012 this column reflects 103.66% of the target amounts for the 2012 tranche and the target amounts for each of the remaining tranches from 2013 through 2014 for the 2011 grants and from 2013 through 2015 for the 2012 grants. These grants do not provide for reinvestment of any deemed dividends. As discussed above, the actual payout for the 2012 tranche of each of the 2011 and 2012 grants was 103.66% based on PNC's total shareholder return for 2012.

(f)

Since July 21, 2011, the options granted on July 21, 2008 can become exercisable in their entirety if PNC stock closes at or above 120% of the exercise price for the five trading days before the vesting date. Based on an exercise price of $63.69, these options will not be exercisable until the PNC stock price closes above $76.428 a share.

(g)

These ALM incentive performance unit grants were awarded to Mr. Demchak in 2010 and Mr. Parsley in 2011 and 2012 and are described in footnote (e) above.

Back to Contents

Option exercises and stock vested in fiscal 2012

NEO	Option Awards		Stock Awards[b]	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise[a] ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
James E. Rohr	**418,475**	**$ 1,396,256**	**112,052**	**$ 6,688,238**
Richard J. Johnson	**11,000**	**$ 120,175**	**28,095**	**$ 1,676,337**
William S. Demchak	**-**		**240,462**	**$ 14,338,545**
Joseph C. Guyaux	**138,724**	**$ 1,244,397**	**45,081**	**$ 2,688,681**
Michael P. Lyons	**-**		**-**	**-**
E. William Parsley, III	**-**		**149,526**	**$ 8,898,719**

(a)

The dollar amount in this column includes the value realized upon the exercise of various options throughout 2012. This amount was computed by determining the difference between the average of the high and low sales prices of our common stock on the date of exercise (as reported in The Wall Street Journal), less the exercise price.

(b)

These columns include the vesting of shares of restricted stock granted previously, as well as the total units approved for payout in connection with previously granted performance based restricted share unit opportunities. The value realized for restricted stock includes cash paid for fractional shares as follows: Mr. Rohr $(94), Mr. Johnson $(48), Mr. Demchak $(49), Mr. Guyaux $(57); and Mr. Parsley $(60). The columns also include shares that vested but were withheld for tax purposes.

For Mr. Demchak, the columns also include 150,608 ALM incentive performance units granted in 2009 that were paid out in cash of $8,978,496 in 2012 at 200% of target, adjusted for TARP forfeitures. For Mr. Parsley, the columns also include 81,092 restricted stock units that were paid out in cash of $4,820,717.

Back to Contents

Pension benefits at 2012 fiscal year-end

The principal elements of our post-employment compensation are a qualified defined benefit cash balance pension plan, a non-qualified excess cash balance pension plan and a non-qualified supplemental executive retirement plan, as well as a qualified defined contribution savings plan, and a non-qualified deferred compensation and incentive plan.

Cash balance pension plan. We maintain a pension plan for most of our full-time employees. The pension plan is a defined benefit cash balance pension plan under the Employee Retirement Income Security Act of 1974, as amended (ERISA), and is intended to be qualified under Section 401(a) of the Internal Revenue Code. Each calendar quarter, eligible participants receive “earnings credits” based on a percentage of covered earnings in accordance with a schedule based on the participant’s age and years of credited service. Earnings credit percentages for plan participants on December 31, 2009 are frozen at their level earned to that point. Earnings credits for all employees who become participants on or after January 1, 2010 are a flat 3% of covered earnings.

The plan defines “covered earnings” as regular earnings plus eligible variable compensation, such as paid annual incentives. Covered earnings do not include deferred payments of annual incentives; these are instead taken into account under our excess pension plan described below. We generally limit eligible variable compensation for a plan year to a total of 100% of the first $25,000 plus 50% of the next $225,000.

For participants who had accrued benefits prior to 1999 under the pension plan formula then in effect, an initial cash balance “account” was established based on the present value of the accrued benefits at the time of the conversion to the current program. Employees who were at least age 40 and had at least 10 years of credited service as of January 1, 1999 were awarded additional “Transitional Earnings Credits” under the plan for up to 10 years.

Employees already participants at December 31, 2009 generally receive quarterly “interest credits” at a rate of one-fourth of the annual interest rate on 30-year Treasury securities, with a minimum interest credit. New participants on or after January 1, 2010 are not subject to this minimum interest credit.

At the end of 2008, the cash balance pension plan previously sponsored by National City Corporation was merged into this plan. Earnings and interest credits for National City participants are as noted above for former employees generally.

We contribute to the plan an actuarially determined amount necessary to fund the total benefits payable to participants. Actuaries calculate total contributions instead of contributions for each individual participant.

Excess pension plan. We maintain an ERISA excess pension plan, which is a supplemental non-qualified pension plan. The excess benefits under this plan equal the difference, if any, between a participant’s benefit under the qualified pension plan computed without regard to applicable Internal Revenue Code limits and taking into account bonus amounts deferred under the deferred compensation plan, and the participant’s actual benefit under the qualified pension plan.

Supplemental executive retirement plan. We maintain a supplemental executive retirement plan for certain executive officers. As part of its ongoing review of compensation practices, the Committee decided in 2007 to eliminate future plan participation for new executive officers. This plan provides earnings credits based on a percentage of annual incentives awarded under eligible executive bonus plans in accordance with a schedule based on the participant’s age and years of credited service. This plan also provides quarterly interest credits that mirror the interest credits under the qualified pension plan.

Executive officers who participated in the supplemental executive retirement plan on December 31, 1998 and who were at least age 50 with five or more years of credited service receive grandfathered benefits based on the pension formula in effect prior to 1999. For executive officers at or above a certain organizational level who participated on December 31, 1998, but who did not meet the requirements for grandfathered benefits, we doubled the earnings credit percentages in order to mitigate the effect of the transition to the cash balance pension formula.

James E. Rohr received the credits and benefits provided in connection with the transitional provisions of the cash balance pension plan and the supplemental executive retirement plan.

Back to Contents

NEO	Plan Name [(a)]	Number of Years Credited Service (#) [(b)]	Present Value of Accumulated Benefit ($) [(c)]	
James E. Rohr	Qualified Pension Plan	40	$	1,487,971
	ERISA Excess Pension Plan	40	$	6,932,745
	Supplemental Executive Retirement Plan	40	$	33,199,211
	Total		$	41,619,927
Richard J. Johnson	Qualified Pension Plan	10	$	147,784
	ERISA Excess Pension Plan	10	$	328,876
	Supplemental Executive Retirement Plan	10	$	396,975
	Total		$	873,635
William S. Demchak	Qualified Pension Plan	10	$	139,873
	ERISA Excess Pension Plan	10	$	801,190
	Supplemental Executive Retirement Plan	10	$	1,130,715
	Total		$	2,071,778
Joseph C. Guyaux	Qualified Pension Plan	40	$	1,092,404
	ERISA Excess Pension Plan	40	$	2,175,149
	Supplemental Executive Retirement Plan	40	$	4,759,506
	Total		$	8,027,059
Michael P. Lyons	Qualified Pension Plan	1	$	5,743
	ERISA Excess Pension Plan	1	$	5,705
	Supplemental Executive Retirement Plan	NA		-
	Total		$	11,448
E. William Parsley, III	Qualified Pension Plan	9	$	116,243
	ERISA Excess Pension Plan	9	$	542,387
	Supplemental Executive Retirement Plan	NA		-
	Total		$	658,630

(a)

None of the NEOs received payments under any of these plans during fiscal 2012.

(b)

To compute the number of years of service we use the same plan measurement date that we use for our 2012 audited consolidated financial statements. Credited service is equal to actual service; however, for purposes of determining the level of benefits earned in the Qualified Pension Plan and ERISA Excess cash balance plans service has been frozen as of December 31, 2009. As of that date, the NEOs had the following years of credited service: Mr. Rohr 37, Mr. Johnson 7, Mr. Demchak 7, and Mr. Parsley 6.

(c)

We compute the present values shown here as of December 31, 2012 in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715, Compensation—Retirement Benefits (“FASB ASC Topic 715”), as specified in the SEC regulations. The amounts do not necessarily reflect the amounts to which the executive officers would be entitled under the terms of these plans as of December 31, 2012.

We calculate the present values for the plans by projecting the December 31, 2012 account balances to an assumed retirement age of 65, using an interest crediting rate of 4.40% for all participants with the exception of Mr. Lyons, and 2.55% for Mr. Lyons, as legacy PNC participants have a minimum annual interest crediting rate of 4.40%, while participants hired on or after January 1, 2010 have no minimum rate. We then apply a discount rate of 3.80% for the Qualified Pension Plan and 3.50% for the other plans to discount the balances back to December 31, 2012.

The present value for the grandfathered Supplemental Executive Retirement Plan, for which Mr. Rohr is the only eligible NEO, equals the present value of his December 31 accrued benefit. Since Mr. Rohr is currently eligible for an unreduced retirement, no early retirement reductions apply.

See Note 15 in our Annual Report on Form 10-K for the year ended December 31, 2012 for more information on the discount rates and other material assumptions.

Back to Contents

Non-qualified deferred compensation in fiscal 2012

Incentive savings plan (ISP) and supplemental incentive savings plan (SISP). We maintain an incentive savings plan in which most of our employees can participate after they meet certain age and service requirements. The ISP is a defined contribution 401(k) plan which is intended to be qualified under Section 401(a) of the Internal Revenue Code. During 2012, Participants could elect to contribute between 1% and 20% of compensation to the plan each year as pre-tax elective deferrals, subject to Internal Revenue Code limits. Participants who are age 50 or older may contribute additional pre-tax amounts called "catch-up contributions" each year. For 2012, we made employer matching contributions on behalf of eligible participants equal to 100% of elective deferrals up to 4% of compensation. Matching contributions were made in cash. Participants direct the investment of their accounts among the investment options offered under the plan and their account balances are adjusted for gains or losses resulting from those investment directions. Prior to 2012, we also offered a non-qualified supplemental incentive savings plan for certain designated employees who exceeded a compensation threshold. Effective January 1, 2012, the SISP was frozen to new participants and to the deferral of amounts earned on and after January 1, 2012. Participants with existing account balances can direct the investment of their accounts among the hypothetical investment alternatives made available under the plan and their accounts are adjusted for deemed investment gains or losses resulting from such investment directions.

ISP and SISP participants have the same investment options. The employee directs investment of contributions under either plan. Investment options include several publicly available mutual funds (including BlackRock mutual funds), a proprietary PNC investment fund, and a PNC common stock fund. We no longer permit new funds to be contributed or transferred into the PNC common stock fund. SISP investments are invested on a phantom basis and are considered "deemed" investments.

Deferred compensation plan (DCP) and deferred compensation and incentive plan (DCIP). Prior to 2012, we offered a non-qualified deferred compensation plan (DCP) for certain designated employees who exceeded a compensation threshold. Effective January 1, 2012, the DCP was frozen to new participants and to the deferral of amounts earned on and after January 1, 2012. Distributions from this plan are paid in cash in accordance with the participant's election. Participants with existing account balances can direct the investment of their accounts among the hypothetical investment alternatives made available under the plan and their accounts are adjusted for deemed investment gains or losses resulting from such investment directions.

As of December 31, 2012 we also maintained a non-qualified deferred compensation and incentive plan (DCIP) for certain designated employees who exceeded a compensation threshold. Participants could elect to defer up to 20% of base salary and/or up to 75% of eligible short-term incentive pay earned with respect to a plan year. The DCIP's plan year is the calendar year and the DCIP's first plan year began January 1, 2012.

DCP and DCIP participants currently have many of the same investment options available to ISP and SISP participants. DCP and DCIP participants also have additional investment options, consisting of BlackRock mutual funds. DCP and DCIP investments are invested on a phantom basis and are considered "deemed" investments.

Back to Contents

NEO	Name of Plan	Executive Contributions in Last FY ($) (a)	Registrant Contri-butions in Last FY ($)	Aggregate Earnings in Last FY ($) (b)	Aggregate Withdrawals/ Distributions in Last FY ($) (c)	Aggregate Balance at Last FYE ($) (d)
James E. Rohr	Supplemental Incentive Savings Plan	-	-	$ 228,001	-	4,575,230
	Deferred Compensation & Incentive Plan	-	-	-	-	
	Deferred Compensation Plan	-	-	$ 62,580	-	$ 1,726,374
	Total	-	-	$ 290,581	-	$ 6,301,604
Richard J. Johnson	Supplemental Incentive Savings Plan	-	-	$ 72,767	-	$ 634,381
	Deferred Compensation & Incentive Plan	-	-	-	-	
	Deferred Compensation Plan	-	-	$ 40,605	-	$ 546,539
	Total	-	-	$ 113,372	-	1,180,920
William S. Demchak	Supplemental Incentive Savings Plan			$ 77,216		$ 677,964
	Deferred Compensation & Incentive Plan	$ 150,000		$ 8,914		$ 158,914
	Deferred Compensation Plan	$ 745,500		$ 439,362	$ (818,887)	$ 4,005,621
	Total	$ 895,500		$ 525,492	$ (818,887)	$ 4,842,499
Joseph C. Guyaux	Supplemental Incentive Savings Plan	-	-	$ 174,788	-	$ 1,246,755
	Deferred Compensation & Incentive Plan	-	-	-	-	-
	Deferred Compensation Plan	-	-	$ 53,438	-	$ 2,694,371
	Total	-	-	$ 228,226	-	$ 3,941,126

Michael P. Lyons	**Supplemental Incentive Savings Plan**	**-**	**-**	**-**	**-**	**-**
	Deferred Compensation & Incentive Plan	**-**	**-**	**-**	**-**	**-**
	Deferred Compensation Plan	**-**	**-**	**-**	**-**	**-**
	Total	**-**	**-**	**-**	**-**	**-**
E. William Parsley, III	**Supplemental Incentive Savings Plan**	**-**	**-**	**$ 219,255**		**$ 1,313,680**
	Deferred Compensation & Incentive Plan	**-**	**-**	**-**	**-**	**-**
	Deferred Compensation Plan	**-**	**-**	**$ 295,400**	**$ (449,211)**	**$ 2,962,097**
	Total	**-**	**-**	**$ 514,655**	**$ (449,211)**	**$ 4,275,777**

(a)

Amounts in this column have been reported in the Summary compensation table on page 53.

(b)

No amounts in this column have been reported in the Summary compensation table on page 53 as none of our NEOs received above-market preferential earnings.

(c)

Mr. Demchak and Mr. Parsley elected to take distributions from the Deferred Compensation Plan in 2012.

(d)

We calculate the dollar amounts in this column by taking the aggregate balance at the end of fiscal year 2011 and then adding the totals in the other columns to that balance. The aggregate balance at the end of fiscal year 2012 includes any unrealized gains and losses on investments.

In previous years, some executive officers have deferred receipt of restricted stock. Any amounts deferred as restricted phantom stock units are included in the amounts under this column.

Back to Contents

The following table shows the 2012 investment options for the ISP, SISP, DCP and DCIP, along with annual rates of return. See page 65 for an explanation of our ISP, SISP, DCP and DCIP. Ticker symbols are listed for investment options available to the general public.

Fund	Ticker Symbol	DCP	DCIP	ISP/SISP	2012 Annual Rate of Return
Am Beacon Sm Cp Value Inst	AVFIX	X	X	X	16.52 %
Am EuroPacific Growth R5	RERFX	X	X	X	19.26 %
BlackRock Asset Allocation Instl.	PBAIX	X			12.27 %
BlackRock Core Bond Fund1	BFMCX	X			7.37 %
BlackRock Core Fixed Income Index			X	X	4.27 %
BlackRock High Yield BR	BRHYX	X	X	X	17.15 %
BlackRock Intermediate Government Instl. (PNIGX)	PNIGX	X			2.69 %
BlackRock Inflation Protected Bond Instl. (BPRIX)	BPRIX	X			6.95 %
BlackRock International Bond Instl.	CINSX	X			3.02 %
BlackRock International Index			X	X	18.57 %
BlackRock International Opportunities Instl. (BISIX)	BISIX	X			18.38 %
BlackRock US Opportunities Instl.	BMCIX	X			10.90 %
BlackRock Large Cap Core Instl.	MALRX	X			14.74 %
BlackRock Large Cap Index Fund			X	X	16.04 %
BlackRock LifePath 2015 Fund			X	X	9.64 %
BlackRock LifePath 2020 Fund			X	X	11.00 %
BlackRock LifePath 2025 Fund			X	X	12.11 %
BlackRock LifePath 2030 Fund			X	X	13.35 %
BlackRock LifePath 2035 Fund			X	X	14.33 %
BlackRock LifePath 2040 Fund			X	X	14.98 %
BlackRock LifePath 2045 Fund			X	X	15.76 %
BlackRock LifePath 2050 Fund			X	X	16.54 %
BlackRock LifePath Retirement Fund			X	X	8.75 %
BlackRock Liquidity Temp Fund	TMPXX	X	X	X	0.12 %
BlackRock Small Cap Growth Instl	PSGIX	X			11.06 %
BlackRock Small/Mid Index Fund			X	X	18.47 %
BlackRock TIPS			X	X	7.08 %
CRM Mid Cap Value Instl.	CRIMX	X	X	X	17.82 %

Dodge & Cox Stock Fund	DODGX	X	X	X	21.99 %
Eagle Small Cap Growth Fund	HSIIX		X	X	14.60 %
Fidelity Spartan International Index Inv. (FSIIX)	FSIIX	X			18.69 %
Harbor Capital Appreciation	HACAX	X	X	X	15.69 %
Munder Mid Cap Core Growth Y	MGOYX	X		X	16.01 %
PNC Common Stock Fund1	PNC	X		X	3.72 %
PNC Investment Contract Fund Z		X	X	X	2.09 %
Vanguard Instl. Index Fund Plus	VIIIX	X			16.00 %
Vanguard Small Cap Index Inv.	NAESX	X			18.04 %
Vanguard Total Bond Mkt. Index Inv. (VBMFX)	VBMFX	X			4.05 %
Wells Fargo Adv. Total Return I	MBFIX		X	X	6.60 %

Back to Contents

The amounts included in the aggregate year-end balance column that were reported in previous summary compensation tables (since 2006) are as follows:

NEO	Plan	2006	2007	2008	2009	2010	2011	2012	Total*
James E. Rohr	SISP	$ 153,800	$163,000	$ 155,738	$ 140,300	-	-	-	$ 612,838
	DCIP	-	-	-	-	-	-	-	-
	DCP	-	-	-	-	-	-	-	-
Richard J. Johnson	SISP	$ 47,105	$76,000	$ 75,473	$ 58,500	$ 33,479	$ 87,662	-	$ 378,219
	DCIP	-	-	-	-	-	-	-	-
	DCP	$ 262,569	-	$ 475,000	-	-	-	-	$ 737,569
William S. Demchak	SISP	$ 77,102	$ 97,100	$ 75,200	$ 63,620	-	-	-	$ 313,022
	DCIP	-	-	-	-	-	-	$ 150,000	$ 150,000
	DCP	$ 1,278,907	$ 1,625,000	$ 1,125,603	-	-	-	$ 745,500	$ 4,775,010
Joseph C. Guyaux	SISP	$ 61,944	$ 21,000	$ 17,625	$ 15,864	$ 4,127	-	-	$ 120,560
	DCIP	-	-	-	-	-	-	-	-
	DCP	-	-	-	-	-	-	-	-
Michael P. Lyons	SISP	-	-	-	-	-	-	-	-
	DCIP	-	-	-	-	-	-	-	-
	DCP	-	-	-	-	-	-	-	-
E. William Parsley, III	SISP	-	-	-	-	$ 665,038	-	-	$ 665,038
	DCIP	-	-	-	-	-	-	-	-
	DCP	-	-	-	-	-	-	-	-

*

The total amounts may exceed the aggregate balance at year-end due to the impact of plan withdrawals by the individual.

Back to Contents

CHANGE IN CONTROL AND TERMINATION OF EMPLOYMENT

Benefits upon termination of employment

Our NEOs, may receive various forms of compensation or benefits in connection with a termination of employment. These benefits result from:

- change in control agreements,
- the terms of our equity-based grants, and
- other existing plans and arrangements in which our NEOs participate.

We do not have a separate severance plan or program for the NEOs, although the Committee has discretion to provide severance benefits, subject to the parameters of the policy we adopted in February 2011 and described on page 48 of our CD&A.

The benefits will depend on whether PNC or the executive terminated employment and, if PNC terminated employment, whether it was for cause; whether the termination resulted from death or disability; whether the termination followed a change in control and whether the executive is retirement-eligible. If a retirement-eligible employee resigns or is terminated without cause, we consider it a retirement. For these purposes, a "retirement-eligible" employee is someone who is at least 55 years old and has at least five years of service with us. As of December 31, 2012, Mr. Rohr, Mr. Guyaux and Mr. Johnson were retirement-eligible, while Mr. Demchak, Mr. Lyons and Mr. Parsley were not.

Change in control agreements

As of December 31, 2012 we have entered into separate change in control agreements with each of our NEOs, except for Mr. Lyons, and similar agreements with a limited group of other senior officers. These agreements have been a valuable component of our executive compensation program for several years. We believe that these arrangements mitigate concerns arising from a change in control, and help to ensure the continued dedicated service of our key employees. While the acceleration of equity requires only a change in control, payments received under these agreements require a "double trigger"—that is, the occurrence of both a change in control and a qualifying termination of employment. A qualifying termination would occur if the executive resigned for "good reason" or the surviving company terminated the executive without "cause" (each as defined in the change in control agreement).

These agreements would pay cash to our executives, calculated based on various compensation components. These components include base salary and an annual incentive award (bonus). The cash severance payment related to base salary for Mr. Rohr, Mr. Johnson, Mr. Demchak and Mr. Guyaux is based on three times the base salary (the highest monthly base salary rate for the twelve months preceding the change in control multiplied by twelve). For these executives, the cash severance payment related to the bonus is three times the applicable average bonus percent multiplied by the applicable base salary. For Mr. Parsley, the multiple for the base salary component is two and the multiple for the bonus component is one. The agreements also provide for continued benefits under (or compute cash payments by reference to) some of our retirement and health and welfare benefit plans. As of December 31, 2012, Mr. Lyons did not have an executed change in control agreement.

Our historical agreements require a payment to the NEO to reimburse the executive for any excise taxes on severance or other benefits that are considered “excess parachute payments” under the Internal Revenue Code as long as severance and other benefits are at least 105% of the maximum that can be paid without incurring the excise tax. Since 2009, we have eliminated the excise tax “gross-up” provision from new change in control agreements. Mr. Parsley’s agreement does not contain an excise tax gross-up provision. Our Board adopted a policy in February 2011 that requires shareholder approval of certain future severance arrangements if the arrangement provides for additional severance benefits in an amount exceeding 2.99 times the sum of the executive’s annual base salary and target bonus.

The change in control agreements prohibit the executive from using or disclosing any of our confidential business or technical information or trade secrets. The executive may also not employ or solicit any of our officers during the one-year period following termination.

While the benefits to be received under a change in control agreement may be significant to an individual, they first require the occurrence of a significant transaction. As a result, the benefits are highly speculative, and contingent on a variety of facts and circumstances. In recognition of this, our Personnel and Compensation Committee does not consider the amount of potential change in control payments when it makes annual compensation decisions for NEOs. Change in control protections, although meaningful, also become relatively less significant to PNC as we increase in size.

Back to Contents

Equity-based grants

If an NEO resigns or is terminated with or without cause, any unvested equity-based compensation is generally forfeited. If a retirement-eligible employee resigns or is terminated without cause, we consider it a retirement. A change in control, or the retirement or disability of a NEO, has the following impact on unvested equity-based compensation:

GRANTS THAT VEST OR BECOME EXERCISABLE OVER TIME OR OPTIONS WHERE PERFORMANCE CRITERIA HAS BEEN MET

Change in Control	Retirement	Disability
Securities vest or become exercisable, regardless of whether employment is terminated. Following a termination without cause, or a resignation for good reason, the employee will have three years to exercise stock options. The three-year period cannot extend beyond the original option termination date.	For stock options granted at least one year before retirement, there will be no change. These options will continue in accordance with their original terms. For stock options granted between six months and one year before retirement, the employee will forfeit two-thirds of the options. The remaining one-third of the options will continue in accordance with their original terms. For stock options granted less than six months before retirement, the employee will forfeit all of the options. For restricted stock and restricted stock units that have not already satisfied the service requirements, the Committee may approve vesting. For certain awards, if the Committee does not take action within a certain time of the scheduled vesting date, then the stock does not vest. For certain restricted stock awards, the Committee may accelerate vesting.	All stock options become exercisable and the employee has three years to exercise them. The three-year period cannot extend beyond the original option termination date, however. For restricted stock and restricted stock units that have not already satisfied the service requirements, the Committee may approve vesting. For certain awards, if the Committee does not take action within a certain time of the scheduled vesting date, then the stock does not vest. For certain restricted stock awards, the Committee may accelerate vesting.

GRANTS THAT VEST UPON THE ACHIEVEMENT OF ADDITIONAL PERFORMANCE CRITERIA

Performance-Based Restricted Stock Units

Change in Control	Retirement	Disability
Any unvested performance RSUs will vest and pay out at 100% if we meet	Performance RSUs continue in effect in accordance with their terms.	Performance RSUs continue in effect in accordance with their terms.

the Tier 1 capital ratio as of the last-completed quarter-end. If we do not meet the capital ratio, the units are cancelled.

2008 Performance Options

Change in Control	Retirement	Disability
In general, these options will become exercisable upon a change in control if our stock price or the per share change of control consideration meets or exceeds 120% of the grant date exercise price.	If an employee retires before PNC meets the stock price threshold, the Committee may permit the options to remain outstanding and be eligible for exercise if we meet the price threshold.	If an employee becomes disabled before PNC meets the stock price threshold and employment is terminated, the Committee may permit the options to remain outstanding and be eligible for exercise after termination of employment, if we meet the price threshold, for the period from then until the third anniversary of the employment termination date.

Back to Contents

GRANTS THAT VEST UPON THE ACHIEVEMENT OF ADDITIONAL PERFORMANCE CRITERIA (CONTINUED)

Incentive Performance Units

Change in Control

For both regular and ALM incentive performance units, if the performance period has not yet ended before the date of a change in control, the employee would receive a two-part award. Each part of the award would be prorated based on a portion of the original multi-year performance period.

The first part of the award relates to the part of the performance period that had already elapsed before the change in control. The second part of the award relates to the part of the performance period that had not been completed due to the change in control.

In each part, the award would be calculated by multiplying a performance factor by the target number of units originally granted and then applying the applicable proration factor. (The target number of regular units would be adjusted for deemed dividends up to the change in control date, but the ALM units would not receive such an adjustment.)

The performance factor used to calculate the first part would be the higher of 100% and the payout percentage achieved, based on actual applicable corporate performance prior to the date of the change in control. The performance factor used to calculate the second part would be a flat100%. In some cases, the performance factors would then be subject to additional, risk-based adjustments.

For the first part of the award, the performance-adjusted amount of units would then be prorated based on the portion of the overall performance period (measured in quarters) that had elapsed before the date of the change in control. For the second part, the proration would be based on the remainder of the originally scheduled performance period not completed due to the change in control.

For the regular grants made in 2011 and 2012, the performance factors used to calculate the awards would also be subject to additional, risk-based adjustments, as described in more detail in the CD&A. For the 2011 grants, the first part of the award would be subject to risk-based adjustments in certain circumstances and for the 2012 grants, both parts of the award would be subject to such

Retirement **Disability**

For grants of regular or ALM units made in 2012, in the case of either retirement and disability, the grantee remains eligible for consideration of a full award equal to the same award the grantee could have received had the grantee remained employed for the full performance period.

For grants made before 2012, the Committee may award up to a prorated amount to a retired employee. This amount will be based on performance prior to retirement and the units will be prorated based on the portion of the performance period elapsed prior to the retirement date of the employee. The Committee may award up to the full amount to an employee who becomes disabled during the performance period.

For all grants, regardless of the year that they were made, the Committee retains downward discretion to adjust or eliminate the payout. Any payout would occur after the performance period ends.

adjustments.

The retirement and disability benefits summarized above are generally subject to termination by PNC if it is determined that an employee has engaged in certain competitive activities during the first year post-employment, or that the employee has engaged in other detrimental conduct.

If the officer dies, stock options become exercisable, restricted stock and restricted stock units vest, performance RSUs vest and pay out at 100% and a portion of the outstanding incentive performance units may be paid, subject to the discretion of our Board's Personnel and Compensation Committee. Any options will generally remain exercisable until the original option termination date.

Back to Contents

Existing plans and arrangements

As of December 31, 2012, our NEOs could participate in our qualified cash balance pension plan, our ERISA excess pension plan, our supplemental executive retirement plan, our ISP, our SISP, our DCP, and our DCIP. The officers earn these benefits for services provided to us while employed, and many of these plans are also available on a broader basis to other employees. For the most part, an officer's entitlement to these benefits does not depend on how employment terminates.

Estimated benefits upon termination

The following table shows the estimated benefits payable to our NEOs as of December 31, 2012 as a result of termination of employment in a variety of situations. These estimated amounts have been calculated as if employment was terminated on December 31, 2012. For change in control benefits, we assumed a change in control of PNC and a termination of employment by the surviving company without cause (or a resignation of the officer for good reason) on that date. To the extent relevant, the amounts assume a PNC stock price of $58.31 the closing price for our stock on December 31, 2012. If we calculated these amounts using a different price, the amounts could be significantly different. The benefits below do not include the balances under our qualified cash balance pension plan, our ERISA excess pension plan, our supplemental executive retirement plan, our ISP, our SISP, our DCP and our DCIP unless the NEO receives an enhanced benefit under the termination scenario.

EMPLOYEES WHO ARE ELIGIBLE FOR RETIREMENT:

James E. Rohr	Termination for Cause	Voluntary Termination/ Termination without Cause[a]	Retirement[a]	Change in Control [b]	Disability	Death
Cash Severance	-	-	-	**$9,461,421**	-	-
Base Salary	-	-	-	$3,600,000	-	-
Bonus	-	-	-	$5,861,421	-	-
Enhanced Benefits	-	-	-	**$999,644**	-	-
Defined Benefit Plans	-	-	-	$944,801	-	-
Defined Contribution Plans	-	-	-	$30,000	-	-
General Health & Welfare	-	-	-	$24,843	-	-
Acceleration of Unvested Equity	-	**$10,327,087**	**$10,327,087**	**$11,512,861**	**$10,558,987**	**$9,061,568**
Restricted Stock	-	$6,586,293	$6,586,293	$6,517,312	$6,586,293	$6,517,312

Unexercisable Options		-	-	-	-	-	-
Incentive Performance Units		-	$3,740,794	$3,740,794	$4,995,549	$3,972,694	$2,544,256
Excise Tax and Gross-Up		-	-	-	-	-	-
TOTAL	$	**-**	**$10,327,087**	**$10,327,087**	**$21,973,926**	**$10,558,987**	**$9,061,568**

Back to Contents

Richard J. Johnson	Termination for Cause	Voluntary Termination/ Termination without Cause[a]	Retirement[a]	Change in Control [b]	Disability	Death
Cash Severance	-	-	-	**$4,500,000**	-	-
Base Salary	-	-	-	$1,500,000	-	-
Bonus	-	-	-	$3,000,000	-	-
Enhanced Benefits	-	-	-	**$409,370**	-	-
Defined Benefit Plans	-	-	-	$360,000	-	-
Defined Contribution Plans	-	-	-	$30,000	-	-
General Health & Welfare	-	-	-	$19,370	-	-
Acceleration of Unvested Equity	-	**$2,760,610**	**$2,760,610**	**$3,071,770**	**$2,815,096**	**$2,355,054**
Restricted Stock	-	$1,704,170	$1,704,170	$1,686,881	$1,704,170	$1,686,881
Unexercisable Options	-	-	-	-	-	-
Incentive Performance Units	-	$1,056,440	$1,056,440	$1,384,889	$1,110,926	$668,173
Excise Tax and Gross-Up	-	-	-	**$2,754,920**	-	-
TOTAL	**$ -**	**$2,760,610**	**$2,760,610**	**$10,736,060**	**$2,815,096**	**$2,355,054**

Joesph C. Guyaux	Termination for Cause	Voluntary Termination/ Termination without Cause[a]	Retirement[a]	Change in Control [b]	Disability	Death
Cash Severance	-	-	-	**$4,650,000**	-	-
Base Salary	-	-	-	$1,860,000	-	-
Bonus	-	-	-	$2,790,000	-	-
Enhanced Benefits	-	-	-	**$770,038**	-	-
Defined Benefit Plans	-	-	-	$706,800	-	-

Defined Contribution Plans	-	-	-	$30,000	-	-
General Health & Welfare	-	-	-	$33,238	-	-
Acceleration of Unvested Equity	-	**$2,887,697**	**$2,887,697**	**$5,639,982**	**$5,317,730**	**$4,826,344**
Restricted Stock	-	$2,031,803	$2,031,803	$3,970,450	$3,991,485	$3,970,450
Unexercisable Options	-	-	-	-	-	-
Incentive Performance Units	-	$855,894	$855,894	$1,669,532	$1,326,245	$855,894
Excise Tax and Gross-Up	-	-	-	-	-	-
TOTAL	**$ -**	**$2,887,697**	**$2,887,697**	**$11,060,020**	**$5,317,730**	**$4,826,344**

EMPLOYEES WHO ARE NOT ELIGIBLE FOR RETIREMENT:

William S. Demchak	**Termination for Cause**	**Voluntary Termination/ Termination without Cause**	**Retirement**	**Change in Control [b]**	**Disability**	**Death**
Cash Severance	-	-	-	**$8,100,000**	-	-
Base Salary	-	-	-	$2,250,000	-	-
Bonus	-	-	-	$5,850,000	-	-
Enhanced Benefits	-	-	-	**$610,002**	-	-
Defined Benefit Plans	-	-	-	$551,250	-	-
Defined Contribution Plans	-	-	-	$30,000	-	-
General Health & Welfare	-	-	-	$28,752	-	-
Acceleration of Unvested Equity	-	-	-	**$8,798,049**	**$8,049,836**	**$6,761,474**
Restricted Stock	-	-	-	$4,804,174	$4,853,884	$4,804,174
Unexercisable Options	-	-	-	-	-	-
Incentive Performance Units	-	-	-	$3,993,875	$3,195,952	$1,957,300
Phantom Units	-	-	-	-	-	-
Excise Tax and Gross-Up	-	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$17,508,051**	**$8,049,836**	**$6,761,474**

Back to Contents

E. William Parsley, III	Termination for Cause	Voluntary Termination/ Termination without Cause	Retirement	Change in Control [b]	Disability	Death
Cash Severance	-	-	-	**$2,540,219**	-	-
Base Salary	-	-	-	$1,000,000	-	-
Bonus	-	-	-	$1,540,219	-	-
Enhanced Benefits	-	-	-	**$167,350**	-	-
Defined Benefit Plans	-	-	-	$127,010	-	-
Defined Contribution Plans	-	-	-	$20,000	-	-
General Health & Welfare	-	-	-	$20,340	-	-
Acceleration of Unvested Equity	-	-	-	**$8,234,728**	**$7,913,138**	**$5,174,150**
Restricted Stock	-	-	-	$1,839,306	$1,858,752	$1,839,306
Unexercisable Options	-	-	-	-	-	-
Incentive Performance Units	-	-	-	$1,621,699	$1,280,663	$860,731
Phantom Units	-	-	-	$4,773,723	$4,773,723	$2,474,113
Excise Tax and Gross-Up	-	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$10,942,297**	**$7,913,138**	**$5,174,150**

Michael P. Lyons	Termination for Cause	Voluntary Termination/ Termination without Cause[a]	Retirement[a]	Change in Control [b]	Disability	Death
Cash Severance	-	-	-	-	-	-
Base Salary	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Enhanced Benefits	-	-	-	-	-	-
Defined Benefit Plans	-	-	-	-	-	-
	-	-	-	-	-	-

Defined Contribution Plans						
General Health & Welfare	-	-	-	-	-	-
Acceleration of Unvested Equity	-	-	-	**$5,796,426**	**$5,553,388**	**$4,718,919**
Restricted Stock	-	-	-	$4,180,165	$4,194,597	$4,180,165
Unexercisable Options	-	-	-	-	-	-
Incentive Performance Units	-	-	-	$1,616,261	$1,358,791	$538,754
Excise Tax and Gross-Up	-	-	-	-	-	-
TOTAL	**$ -**	**$ -**	**$ -**	**$5,796,426**	**$5,553,388**	**$4,718,919**

(a)

If a retirement-eligible employee resigns or is terminated without cause, we consider it a retirement.

(b)

The benefits shown under “Acceleration of Unvested Equity” are received upon the change in control itself and do not require termination of employment, while the other benefits require a qualifying termination of employment. In addition, it is possible that an Excise Tax Gross-Up payment may be required if a change in control occurred even without a qualifying employment termination.

Back to Contents

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Security ownership of directors and executive officers

The table below sets forth information regarding common stock ownership by our directors and executive officers. We include beneficial ownership of common stock as of January 31, 2013 for each director, each executive officer named in the Summary compensation table on page 53, and all directors and executive officers as a group. Unless we otherwise note, each person exercises sole voting and investment power over these shares of common stock.

We determine the number of shares in the Common Stock Ownership column as beneficially owned by each director and executive officer pursuant to SEC regulations. This information does not necessarily indicate beneficial ownership for any other purpose. Beneficial ownership includes any shares of common stock as to which the individual has sole or shared voting power or investment power. We also include any shares of common stock that the individual has the right to acquire within 60 days of January 31, 2013 through the exercise of any option, warrant or right. The table also shows, as of January 31, 2013, the number of common stock units credited to the accounts of our directors and executive officers under various compensation and benefit plans.

Name	Common Stock Ownership*		Number of Shares Subject to Exercisable Options	Total Number of Shares Beneficially Owned	Common Stock Unit Ownership**	Total Shares Beneficially Owned Plus Common Stock Units
Non-Employee Directors:						
Richard O. Berndt	**11,938**		**-**	**11,938**	**11,461**	**23,399**
Charles E. Bunch	**781**		**-**	**781**	**11,461**	**12,242**
Paul W. Chellgren	**23,858**	(1)	**6,000**	**29,858**	**53,885**	**83,743**
Kay Coles James	**315**		**-**	**315**	**15,624**	**15,939**
Richard B. Kelson	**624**		**2,000**	**2,624**	**21,433**	**24,057**
Bruce C. Lindsay	**2,000**	(2)	**-**	**2,000**	**22,496**	**24,496**
Anthony A. Massaro	**3,129**	(1)(4)	**6,000**	**9,129**	**16,952**	**26,081**
Jane G. Pepper	**2,840**		**6,000**	**8,840**	**23,644**	**32,484**
Donald J. Shepard	**8,967**	(3)	**-**	**8,967**	**16,297**	**25,264**
Lorene K. Steffes	**2,041**	(4)	**4,000**	**6,041**	**21,934**	**27,975**
Dennis F. Strigl	**10,714**		**6,000**	**16,714**	**23,087**	**39,801**
Thomas J. Usher	**7,139**	(4)	**6,000**	**13,139**	**45,753**	**58,892**
George H. Walls, Jr.	**379**		**-**	**379**	**21,543**	**21,922**
Helge H. Wehmeier	**24,447**		**-**	**24,447**	**32,384**	**56,831**
NEOs:						

William S. Demchak	**244,253**	(4)(5)	**686,061**	**930,314**	**14,812**	**945,126**
Richard J. Johnson	**91,739**	(5)	**378,266**	**470,005**	**5,447**	**475,452**
Joseph C. Guyaux	**74,738**	(5)(6)	**687,520**	**762,258**	**1,673**	**763,931**
Michael P. Lyons	**38,829**		**-**	**38,829**	**-**	**38,829**
E. William Parsley, III	**47,426**	(5)	**250,000**	**297,426**	**901**	**298,327**
James E. Rohr	**615,075**	(5)(7)	**2,014,407**	**2,629,482**	**98,027**	**2,727,509**
Eight remaining executive officers	**265,689**	(4)(5)(8)	**1,480,723**	**1,746,412**	**35,312**	**1,781,724**
Directors and executive officers as a group (28 persons):	**1,476,921**		**5,532,977**	**7,009,898**	**494,126**	**7,504,024**

*

As of January 31, 2013, there were 528,030,050 shares of PNC common stock issued and outstanding. The number of shares of common stock beneficially owned by each individual is less than 1% of the outstanding shares of common stock; the total number of shares of common stock beneficially owned by the group is approximately 1.3% of the class. If employee or director stock options were exercisable within 60 days of January 31, 2013, we added those numbers to the total number of shares issued and outstanding. As of January 31, 2013, the number of shares of common stock and units held by the group was 1.4%. No director or executive officer beneficially owns shares of PNC preferred stock.

**

Represents common stock units credited to the accounts of directors and executive officers under various compensation and benefit plans that are not considered beneficially owned under SEC rules.

(1)

Includes shares owned by spouse.

(2)

2,000 shares are held by a charitable foundation over which Mr. Lindsay and his spouse have dispositive power.

(3)

Included 7,845 shares held in a trust.

(4)

Includes shares held jointly with spouse.

(5)

Includes shares held in our incentive savings plan (ISP).

(6)

Includes 21 shares held indirectly as custodian for grandchild.

(7)

Includes 517 shares held indirectly as custodian for daughter, 58,200 shares owned by spouse, 66,564 shares held in trust for daughter, 12,167 shares held as assets in two grantor retained annuity trusts, and 242,509 shares held in a revocable trust.

(8)

Includes, for two executive officers not named in the table, 13,463 shares held directly or indirectly as custodian or trustee.

Back to Contents

Security ownership of certain beneficial owners

Based on a review, as of February 14, 2013, of Schedules 13D and 13G filed with the SEC, the following entity beneficially owns at least five percent of our common stock. The numbers shown on the table below represent holdings as of December 31, 2012 provided in the Schedule 13G filed with the SEC and should be interpreted in light of the related footnotes.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Wellington Management Company, LLP **280 Congress Street** **Boston, MA 02210**	**41,709,438** (1)	**7.89 %**

(1)

According to the Schedule 13G filed by Wellington Management Company, LLP with the SEC, Wellington Management Company, in its capacity as investment adviser, may be deemed to beneficially own 41,709,438 shares of our common stock which are held of record by clients of Wellington Management. Wellington Management shares dispositive power with respect to 41,709,438 shares of our common stock and shares voting power with respect to 22,650,832 shares of our common stock.

Back to Contents

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (ITEM 2)

Our Board's Audit Committee is composed entirely of directors who are independent as defined in the NYSE's corporate governance rules and in the regulations of the Securities and Exchange Commission related to the independence of audit committee members. Among other things, the Board has also determined that each committee member is financially literate and possesses accounting or related financial management expertise. The Board made these determinations in its business judgment, based on its interpretation of the NYSE's requirements for committee members.

Under the Audit Committee's charter, the Audit Committee is responsible for selecting PNC's independent auditors. The Committee evaluates and monitors the auditors' qualifications, performance and independence. This responsibility includes a review and evaluation of the lead audit partner. The Committee also listens to the opinions of our General Auditor, who supervises the internal audit function, and other members of our management.

You can learn more about the Audit Committee's responsibilities with respect to the independent auditors in the committee's charter, which is posted on the corporate governance section of our corporate website at *www.pnc.com/corporategovernance*.

On February 14, 2013, the Audit Committee presented its conclusions regarding the independent auditors to our Board of Directors. Following this presentation, the Board voted unanimously to recommend that shareholders vote to ratify the Audit Committee's selection of PricewaterhouseCoopers LLP (PwC) as PNC's independent registered public accounting firm for 2013.

The Audit Committee and Board have adopted a policy that if a majority of the votes cast at the annual meeting is against ratification, the committee will reconsider its selection of PwC. The committee will be under no obligation, however, to select new independent auditors. If the committee does select new independent auditors for 2013, we will not seek shareholder ratification of the committee's new selection.

At its meeting on February 7, 2012, the Board appointed PwC to audit our consolidated financial statements for 2012 based upon the recommendation of our Audit Committee, and our shareholders ratified that appointment on April 24, 2012.

We expect representatives of PwC to be available at the annual meeting. They will have an opportunity to make a statement and respond to appropriate questions.

Audit and non-audit fees

In considering the nature of the services provided by our independent auditors, the Audit Committee determined that the services are compatible with the provision of independent audit services. The committee discussed these services with the independent auditors and our management to determine that they are permitted under the SEC rules and regulations concerning auditor independence.

The following table summarizes the total fees for professional services rendered by PwC to PNC for 2012 and 2011:

Category	**2012 (in millions)**	**2011 (in millions)**
Audit fees	**$ 19.9**	**$ 16.8**

Audit-related fees*	**$**	**1.9**	**$**	**1.5**
Tax fees	**$**	**0.6**	**$**	**0.9**
All other fees	**$**	**0.2**	**$**	**0.3**
TOTAL FEES BILLED	**$**	**22.6**	**$**	**19.5**

*

Excludes fees of $1.6 million in 2012 and $0.8 million in 2011 for financial due diligence services related to potential private equity investments. In those instances the fees were paid by the company issuing the equity. Also excludes fees of $0.2 million in 2012 for certain services in connection with the GIS divestiture for which PNC was reimbursed.

Audit fees. These fees consisted primarily of the audit of PNC's annual consolidated financial statements, reviews of PNC's quarterly consolidated financial statements included in Form 10-Q filings, comfort letter procedures, other services related to SEC matters and required attestation services.

Audit-related fees. These fees consisted primarily of SSAE 16 and compliance and internal control reviews.

Tax fees. These fees were attributable to federal and state tax compliance services and tax planning services.

All other fees. These fees primarily consisted of consulting services related to various regulatory matters.

Back to Contents

Procedures for pre-approving audit and permitted non-audit services

The Audit Committee is responsible for pre-approving audit and permitted non-audit services (such as tax) to be provided to us by our independent auditors. The Committee is given this responsibility to confirm that providing services will not impair our auditors' independence. The Committee performs this function for us and our subsidiaries.

The Committee's responsibility also includes pre-approval of the fees for such services (although SEC regulations do not require the pre-approval of fees) and the other terms of the engagement. The Committee may either pre-approve specific fees, or a methodology for determining fees.

Pre-approval may be general (categories of services) or specific (individual services). If the Committee pre-approves a general category of services, it will review and pre-approve the category at least every year. The Committee is responsible for approving any fee or other compensation arrangements for services covered by a pre-approval of a general category of services.

The full Committee may exercise pre-approval authority, or the Chairman of the Committee may exercise the authority as required between meetings. The Committee may also delegate this authority, in whole or in part, to one or more Committee members. Any person exercising delegated authority reports on the pre-approvals at the next scheduled meeting of the Committee, which will be reflected in the meeting minutes. The Audit Committee may not delegate its pre-approval authority to any other person, including any member of our management or other PNC employee or agent.

The written request for pre-approval includes, at a minimum, a description of the nature of the engagement, the proposed fee for the services, and a statement that the provision of the services is consistent with SEC and other applicable rules on auditor independence. In reviewing a pre-approval request, the Committee or Chairman may request members of our management to provide their views on auditor independence questions.

All audit and permitted non-audit services and related fees disclosed above were pre-approved by the Audit Committee. The Audit Committee may amend these procedures from time to time.

Report of the audit committee

The Audit Committee's job is one of oversight, as set forth in its charter. It is not the duty of the Audit Committee to prepare PNC's consolidated financial statements, to plan or conduct audits, or to determine that PNC's consolidated financial statements are complete and accurate and are in accordance with generally accepted accounting principles. PNC's management is responsible for preparing PNC's consolidated financial statements and for establishing and maintaining effective internal control over financial reporting. PNC's management is also responsible for its assessment of the effectiveness of internal control over financial reporting. The independent auditors are responsible for the audit of PNC's consolidated financial statements and the audit of the effectiveness of PNC's internal control over financial reporting. In addition, the independent auditors are responsible for the audit of management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2012.

The Audit Committee has reviewed and discussed PNC's audited consolidated financial statements with management and with PricewaterhouseCoopers LLP (PwC), PNC's Independent Registered Public Accounting Firm for 2012. The Audit Committee has selected PwC as PNC's independent auditors for 2013 subject to shareholder ratification. A portion of the Audit Committee's review and discussion of PNC's audited consolidated financial statements with PwC occurred in private sessions, without PNC management present.

The Audit Committee has discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from PwC required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed PwC's independence with representatives of PwC.

Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in PNC's Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the Securities and Exchange Commission.

The Audit Committee of the Board of Directors of The PNC Financial Services Group, Inc.

Paul W. Chellgren, ***Chairman***

Richard O. Berndt

Richard B. Kelson

Bruce C. Lindsay

Donald J. Shepard

George H. Walls, Jr.

In accordance with SEC regulations, the Report of the Audit Committee is not incorporated by reference into any of our future filings made under the Securities Exchange Act of 1934 or the Securities Act of 1933. The report is not deemed to be soliciting material or to be filed with the SEC under the Exchange Act or the Securities Act.

The Board of Directors recommends a vote FOR the ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2013.

Back to Contents

"SAY-ON-PAY": ADVISORY VOTE ON EXECUTIVE COMPENSATION (ITEM 3)

What is the purpose of this item?

We describe this item as an advisory vote on executive compensation, but it is more commonly known as "say-on-pay." We provide this vote under the federal securities laws (Section 14A of the Securities Exchange Act of 1934) and in recognition of our shareholders' vote in 2011 that we hold an advisory vote on executive compensation each year. After our shareholders voted in 2011, the Board affirmed its recommendation and elected to hold future "say-on-pay" advisory votes on an annual basis, until the next shareholder vote on "say-on-pay" frequency.

With this item, shareholders may submit an advisory vote on the compensation of our CEO and the other five executive officers named in the *Summary compensation table* on page 53. That table provides an annual snapshot of the compensation paid or granted to our NEOs.

What does it mean to have a "say-on-pay" advisory vote?

As an advisory vote, the outcome will not bind PNC or our Board. We will disclose how many shareholders voted "For" or "Against" the resolution, and how many shareholders abstained from voting.

We believe in soliciting input from our investors throughout the year on a variety of issues, and this advisory vote fits within our broader shareholder engagement efforts. Last year our Board recommended that we should seek shareholder input through an annual advisory vote on executive compensation. We first provided a "say-on-pay" vote in 2009, voluntarily provided the vote again in 2010 and as required by the federal securities laws provided the vote again in each of 2011 and 2012. In each year, we received the support of over 90% of the votes cast by our shareholders.

While this vote is non-binding, our Board values the opinions of shareholders and will carefully consider the results when making future compensation decisions. In considering an overall executive compensation program, "say-on-pay" cannot convey a shareholder's view on a discrete element of our compensation program or a specific decision made by our Board's Personnel and Compensation Committee. In 2009, 2010, 2011 and 2012, the Committee received reports on the outcome of the "say-on-pay" vote, how PNC compared to its peer group and other large public companies, and whether any changes to the compensation program were being considered in light of the results. The Committee expects to undertake a similar evaluation this year.

Where can I find more information on executive compensation?

We describe our executive compensation program and the compensation awarded under that program in the CD&A, the Compensation Tables, and the related disclosure contained in this proxy statement. See pages 34 to 68.

Back to Contents

What are some of the performance and compensation program highlights for 2012?

Please review our CD&A, which begins on page 34, as well as the accompanying compensation tables and the related disclosure beginning on page 53. Performance and compensation program highlights, which are also included in our CD&A, should be read in connection with the full CD&A, the Compensation Tables and the related disclosure contained in this proxy statement.

The Board of Directors recommends a vote FOR the following advisory resolution:

"RESOLVED, that the holders of the common stock and the voting preferred stock of The PNC Financial Services Group, Inc. (the "Company"), voting together as a single class, approve the compensation of the Company's six executive officers named in the Summary compensation table of the Company's proxy statement for the 2013 Annual Meeting of Shareholders (the "2013 Proxy Statement"), as described in the Compensation Discussion and Analysis, the Compensation Tables and the related disclosure contained in the 2013 Proxy Statement."

Back to Contents

SHAREHOLDER PROPOSAL (ITEM 4)

We expect the following proposal to be presented by Boston Common Asset Management, LLC at the Annual Meeting. We include the full text of the shareholder's proposal below, but do not independently verify the assertions made by the shareholder.

The Board of Directors has recommended a vote against this proposal for broader policy reasons, as described in more detail below. The address and security holdings of the shareholder will be supplied upon request to the Corporate Secretary at the address listed on page 17.

The text of the proposal follows.

"Resolved: Given the broader societal implications of climate change, shareowners request that the Board of Directors report to shareholders by September 2013, at reasonable cost and omitting proprietary information, PNC's assessment of the greenhouse gas emissions resulting from its lending portfolio and its exposure to climate change risk in its lending, investing, and financing activities."

Supporting statement

"Whereas:

PNC has shown commendable leadership in addressing its direct greenhouse gas emissions. As it states in its 2011 Corporate Responsibility report, 'PNC diligently monitors the effects of climate change on operating efficiencies and facilities throughout PNC branch banks and offices.' It has also been 'actively investing in alternative energy, primarily solar.' The company also offers incentives to small businesses to make environmentally-friendly decisions.'

PNC is head quartered in a region that is economically linked to the extraction of natural gas and coal. The company stated in its 2011 Corporate Responsibility report that it expects to continue to fund these businesses.

PNC has emphasized the importance of climate change management in its brand reputation, stating in its 2012 response to the Carbon Disclosure Project (CDP): 'The increasingly eco-conscious business environment has meant that some customers and investors use a company's response to climate change as a differentiator between potential options. A lack of a clear carbon emissions strategy, or a low perceived action plan, could cause PNC to lose valuable customers and investors, or limit our ability to attract new customers and investors.'

PNC stated that its 'credit review process includes due diligence that takes into consideration the environmental impact of a prospective borrower.' PNC claims to perform a 'supplemental evaluation for companies in the extractive industries, including an understanding of any significant environmental impacts.' PNC states it takes these actions because it recognizes the 'potential risks associated with changing climate conditions that could affect business operations and performance.' (PNC, 2011 Corporate Responsibility report).

PNC has stated that, "In addition to the evaluation that we perform on all prospective borrowers, we perform a supplemental evaluation for companies in the extractive industries, including an understanding of any significant environmental impacts."

However, despite a policy not to extend credit to individual mountain top removal (MTR) mining projects or to a coal producer that receives a majority of its production from MTR mining, PNC continues to finance four of the top nine

MTR coal mining companies (Ranforest Action Network, Coal Finance Report Card, 2012). As a result, it is the focus of a consumer boycott. PNC has ignored investors' requests to provide information detailing its MTR policy implementation or the lending impacts of this policy.

Banks and other financial institutions contribute to climate change through their financed emissions, which are the greenhouse gas footprint of loans, investments, and financial services. A bank's financed emissions can dwarf its other climate impacts and expose it to significant reputational, financial and operational risks. PNC has not provided investors with sufficient information to permit meaningful assessment of the risks presented by its financing of greenhouse gas intensive businesses."

Back to Contents

Statement by the board of directors in opposition to the proposal

After careful consideration, the Board of Directors unanimously recommends that you vote against the proposal from Boston Common Asset Management.

- We regularly monitor our own greenhouse gas emissions and carbon footprint, and our employees, including those with responsibility for sustainability initiatives, actively seek ways to reduce energy usage.

- PNC has more newly constructed LEED® (Leadership in Energy and Environmental Design) certified buildings than any other company. In 2013, we opened our first "net-zero" energy bank branch in Florida – we expect this branch to use over 50% less energy than a typical bank branch, generate as much energy as it needs through on-site renewable resources, and achieve LEED® Platinum certification.

- For prospective borrowers in mining and other extractive industries, we have adopted additional evaluation criteria, including an understanding of any significant environmental impacts.

- Our Board believes that an additional report, which focuses on greenhouse gas emissions for our customers as well as a general exposure to climate change risk in all of our lending, investing, and financing activities, would require considerable resources without conveying useful information.

We appreciate Boston Common's acknowledgment, in the Supporting Statement, of PNC's "commendable leadership" in addressing direct greenhouse gas emissions. We have also actively supported renewable energy investments and green banking practices, as described in our annual corporate responsibility report, which is available at *www.pnc.com/aboutpnc*.

We believe that the report requested by Boston Common would require a significant amount of effort in a brief amount of time (September 2013), without providing appropriate value to our shareholders. To provide a report on the greenhouse gas emissions of our borrowers, we would need to collect and analyze operational data for thousands of customers, beyond the data that we would customarily collect in connection with a lending relationship.

Preparing this report would require a monumental analytical effort and would conceivably require extensive additional training for employees, hiring of new employees, implementation of new systems and processes, and the engagement of third-party consultants. As Boston Common has asked us to cover a broad range of companies and industries in the report, we would need to evaluate and select a unified methodology for calculating the amount of greenhouse gas emissions, and this methodology may not apply to all of our clients.

The second component of the requested report would involve an assessment of PNC's exposure to climate change risk as a result of lending, investing and financing activities. This broad request could include a virtually limitless range of factors across an even larger group of customers. In our public disclosures, we identify the key risk factors that could have a material adverse impact on our business, financial condition, results of operations or cash flows, in addition to presenting other possible adverse consequences. We believe that this is the appropriate way to reflect the important risks that we face.

We continue to believe that management is in the best position to make decisions affecting our business (including those related to our extension of credit, asset management and capital investments) and to weigh the totality of the risks associated with doing business with particular customers. We believe that it is more prudent to focus our resources on running a profitable banking business, which already includes a thoughtful evaluation of our own greenhouse gas emissions and environmental impact. Our Board believes that we can best address the impact of climate change by continuing to monitor our own activities, supporting key environmental initiatives, and regularly communicating our progress to shareholders.

The Board of Directors recommends a vote AGAINST the shareholder proposal.

Back to Contents

GENERAL INFORMATION

PNC will hold the annual meeting of its shareholders on Tuesday, April 23, 2013.

This proxy statement includes information about PNC, describes the proposals to be considered at the meeting, and explains the voting process. We encourage you to read it carefully.

This section of the proxy statement reviews important technical points, such as how to attend the meeting, how to access our proxy materials, how to vote, how a proposal gets approved and how shareholder proposals can be brought before a meeting.

In this section we sometimes discuss differences between “registered” and “street name” shareholders. For purposes of reviewing the proxy materials and voting shares, this distinction is important. We refer to individuals owning PNC shares in their own name as “registered” holders or “shareholders of record.” We refer to individuals who own PNC shares through an account at an intermediary—such as a brokerage firm or bank—as holding our shares in “street name” or as “beneficial owners.”

Attending the annual meeting

Our annual meeting of shareholders will begin at 11:00 a.m., Eastern time, on Tuesday, April 23, 2013. We will hold the meeting at the August Wilson Center for African American Culture, 980 Liberty Avenue, Pittsburgh, Pennsylvania 15222. Directions to the meeting are available at *www.pnc.com/annualmeeting*.

We will have a meeting registration desk in the lobby of the August Wilson Center for African American Culture to assist shareholders attending in person. All shareholders must present an acceptable form of identification, such as a driver’s license.

If you are a registered shareholder, locate the admission ticket in the information you receive from us—either the proxy card attachment or the Notice of Availability of Proxy Materials—and bring it with you to the meeting. The ticket will admit you and one other person.

If you hold PNC shares in street name, your individual name will not appear on our list of registered shareholders. To attend the meeting, please bring an account statement or a letter from your broker that shows the PNC shares that you owned as of our record date of January 31, 2013. You must present this documentation at the registration desk to attend the meeting.

Everyone attending the annual meeting agrees to abide by the rules for the conduct of the meeting. These rules will be printed on the meeting agenda and distributed or reviewed at the meeting.

No large bags, backpacks, briefcases or similar items will be permitted at the meeting. No cameras or recording equipment are permitted at the meeting. Mobile devices must be turned off and put away before entering the meeting room.

If you cannot attend the annual meeting in person, you can listen to the meeting by using the webcast or conference call options that are described on the Notice of Annual Meeting of Shareholders on page 10. However, those using the webcast or dial-in numbers will not be able to vote or ask questions. You may view or print the slides used during the annual meeting. Please visit the website *www.pnc.com/investorevents* or *www. pnc.com/annualmeeting* ahead of time to register and download any necessary software.

Reviewing proxy materials

Mailing date. We provided access to our proxy materials beginning on Thursday, March 14, 2013. On that day, we mailed the Notice of Availability of Proxy Materials, began mailing paper copies of this proxy statement and proxy card to our shareholders, and delivered proxy materials electronically to shareholders who previously consented to that type of delivery. Our 2012 annual report is not part of our proxy solicitation materials.

Accessing proxy materials. The SEC allows us to deliver proxy materials to shareholders over the Internet. We believe that this offers a convenient way for shareholders to review our information. It also reduces printing expenses and lessens the environmental impact of paper copies.

Back to Contents

Any shareholder may access our proxy materials electronically. Upon request, we will continue to provide paper copies of proxy materials to shareholders for the current meeting or for future meetings.

If you hold PNC shares in street name, we generally cannot mail our materials to you directly. Your broker or bank must provide you with the Notice of Availability of Proxy Materials or the proxy statement and proxy card, and must also explain the voting process to you.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 23, 2013: This Notice of Annual Meeting and Proxy Statement and the 2012 Annual Report are available at:

www.envisionreports.com/PNC

Have you received more than one set of proxy materials? If two or more PNC shareholders live in your household, or you maintain more than one shareholder account on the books of our transfer agent, you may have received more than one set of our proxy materials.

In order to reduce duplicate packages and lower expenses, we rely on Securities and Exchange Commission rules allowing delivery of one set of proxy materials to multiple shareholders sharing the same address and last name who consent in a manner provided by these rules. This is referred to as “householding.” Even if you consent to householding, we will always deliver a separate proxy card for each account. Householding will not affect your right to vote.

If you would like to opt out of or into householding in the future, or would like to receive a separate copy of the proxy materials, please write or call Computershare Trust Company, N.A., our stock transfer agent, at the address or phone number below:

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

800-982-7652

You may also receive more than one set of our proxy materials if you have more than one brokerage account. Our householding process does not include accounts that you maintain at a brokerage firm or bank. Some brokerage firms and banks now offer householding—please contact your broker directly if you are interested.

Voting your shares

We want our shareholders, as the owners of PNC, to consider the important matters before them and exercise their right to vote. Our Board of Directors is asking for, or soliciting, a proxy from our shareholders. This section describes the different aspects of the voting process and how proxy voting works.

Who can vote? You must be a shareholder of record as of January 31, 2013 to vote at the annual meeting.

What is a proxy? We understand that not everyone can attend the annual meeting in person. If you are a shareholder, you can tell us exactly how you want to vote and then allow an officer to vote on your behalf. That is called giving us a "proxy." By allowing a proxy to carry out your wishes, you can ensure that your vote counts.

Soliciting your proxy. Our Board of Directors is soliciting your proxy to make sure that your vote is properly submitted and received on time, and to improve the efficiency of the annual meeting. We may ask for, or solicit, proxies using several methods.

We may solicit proxies by mail, personal interviews, telephone or fax. We may use the Internet to solicit proxies. PNC officers or employees may solicit proxies, but will not receive any special compensation for doing so.

We will ask brokerage houses, banks and other custodians of PNC stock to forward proxy materials to their clients who hold PNC stock. We will pay for their expenses to do so.

We hired Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902, a proxy soliciting firm, to help us with the solicitation of proxies for the 2013 annual meeting. We will pay Morrow $15,000, plus its out-of-pocket expenses, to provide information to our shareholders and to assist with distributing proxy materials.

Revoking your proxy. What if you change your mind after you give us your proxy to vote? You can amend your voting decisions until the polls close at the annual meeting. We call this "revoking" your proxy.

To revoke your current proxy and replace it with a new proxy, we must receive the newly executed proxy before the deadline. If you revoke by mail, we must receive the new proxy card before the annual meeting begins. If you revoke by using the telephone or Internet voting options, we must receive your revocation by 1:00 a.m. Eastern time on April 23, 2013. If you choose to revoke by mail, please make sure you have provided enough time for the replacement proxy to reach us.

After the above deadlines have passed, you can only revoke your proxy in person. You cannot use the webcast or conference call to revoke your proxy. Once the polls close at the annual meeting, the right to revoke ends. If you have not properly revoked your proxy, we will vote your shares in accordance with your most recent valid proxy.

If you hold PNC shares in street name, follow the instructions provided by your broker to revoke your voting instructions or otherwise change your vote.

Back to Contents

How to vote. Shareholders of record may always vote in person by submitting a ballot at the annual meeting. We will distribute ballots at the meeting. To make it convenient and simple for you, we offer a number of other ways to vote your shares. We include voting instructions in the Notice of Availability of Proxy Materials and the proxy card.

If you hold PNC shares in street name, you will receive information on how to give voting instructions to your brokerage firm or bank. For registered holders, we offer the following methods to vote your shares and give us your proxy:

Internet	**Go to *www.envisionreports.com/PNC* and follow the instructions. This voting system has been designed to provide security for the voting process and to confirm that your vote has been recorded accurately.**
Telephone	**Follow the instructions on the proxy card.**
Mail	**Complete, sign and date the proxy card and return it in the envelope provided if you requested or were sent copies of these proxy materials. The envelope requires no postage if mailed in the United States.**

PNC is incorporated in Pennsylvania. Pennsylvania law allows properly authenticated proxies to be transmitted by telephone or the Internet. Pennsylvania law also permits a shareholder of record, such as a brokerage firm or bank, to communicate a vote by telephone or Internet for a beneficial owner.

Brokers voting your shares. If you hold PNC shares in street name, you must give instructions to your broker on how you would like your shares to be voted. If you do not provide any instructions, your broker can vote your shares on “routine” items. New York Stock Exchange (NYSE) rules define which items are “routine” or “non-routine.” We discuss below under “-Votes required for approval” whether the items to be acted upon at the annual meeting are “routine” or “non-routine.”

A broker “non-vote” occurs when the shareholder provides no instructions and the item is non-routine. In determining whether a vote was cast for a proposal, we will not count broker non-votes.

Our voting recommendations. If you sign, date and return your proxy card but do not give voting instructions, we will vote your shares as follows:

- **FOR** each of the Board’s 16 nominees for director.

- **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as PNC’s independent registered public accounting firm for 2013.

- **FOR** the advisory resolution on executive compensation.

- **AGAINST** a shareholder proposal regarding a report on greenhouse gas emissions of borrowers and exposure to climate change risk.

If you use Internet or telephone voting, you will need to provide voting instructions for each proposal.

Confidential voting. We keep votes confidential and do not disclose them to our directors, officers or employees, except:

- As necessary to meet legal requirements or to pursue or defend legal actions.
- To allow the Judge of Election to certify the voting results.
- When expressly requested by a shareholder or benefit plan participant.
- If there is a contested proxy solicitation.

Our Board has adopted a "confidential voting" policy. With the exceptions described above, this policy states that all proxies, ballots, voting instructions from employee benefit plan participants and voting tabulations that identify the particular vote of a shareholder or benefit plan participant be kept permanently confidential and not be disclosed.

Computershare Trust Company, N.A., our independent vote tabulator and Judge of Election for the 2013 annual meeting, confirmed that its procedures will be consistent with this policy.

Back to Contents

How a proposal gets approved

On the record date, we had over 500 million outstanding shares of common stock, as well as additional shares of preferred stock. Under Pennsylvania law, we must have a quorum before we can consider proposals at an annual meeting. A quorum is the number of shares that must be present at the meeting. In determining if a quorum exists, we count the number of shares represented by shareholders in person as well as the number of shares represented by proxies.

To have a quorum, we need the presence of shareholders or their proxies who are entitled to cast at *least a majority* of the votes that all shareholders are entitled to cast. If you return a proxy, whether you vote for or against a proposal, abstain from voting or only sign and date your proxy card, your holdings will be counted toward the quorum.

Once a quorum is achieved, different proposals may require different standards of approval. Street name holders may need to take additional precautions to ensure that their vote counts. We discuss the mechanics of proposal approval below.

Issued and outstanding shares. This table shows the number of issued and outstanding shares of our common and preferred stock entitled to vote on January 31, 2013, the record date. The table also shows the number of votes for each share for the matters brought before this meeting. The number of votes shown for each share of voting preferred stock equals the number of full shares of PNC common stock that can be acquired upon the conversion of a share of preferred stock. At the meeting, holders of common and preferred stock will vote together as a single class. There is no cumulative voting.

Class	**Shares Issued and Outstanding**	**Votes Per Share**	**Effective Voting Power**
Common	**527,971,924**	**1**	**527,971,924**
Preferred – Series B	**867**	**8**	**6,936**
Preferred – Series K	**50,000**	**0**	**0**
Preferred – Series L	**1,500**	**0**	**0**
Preferred – Series O	**10,000**	**0**	**0**
Preferred – Series P	**15,000**	**0**	**0**
Preferred – Series Q	**4,800**	**0**	**0**

*

There are also 58,126 issued and outstanding shares that are not entitled to vote. These shares represent shares originally issued by predecessor companies that PNC acquired that have not been exchanged for PNC shares.

Votes required for approval. Under Pennsylvania law, if you abstain from voting it will not count as a vote "cast." To abstain, you must check the "Abstain" box on your proxy card, or select the appropriate option when voting by Internet or telephone. If you sign, date and return your proxy card but do not provide voting instructions, or if you do not provide voting instructions when voting over the Internet, we will vote your shares represented by that proxy as recommended by our Board of Directors and this vote will count as a vote cast. A broker non-vote will also be treated as a failure to record a vote and will not count as a vote cast.

Election of directors (Item 1). Unless a company's articles of incorporation or By-laws provide otherwise, Pennsylvania law contemplates election of directors by a plurality of votes cast. In 2009, PNC amended its By-laws to include an eligibility requirement for director nominees in uncontested elections, whereby an incumbent director will offer to resign if he or she does not receive a majority of the votes cast. Our By-laws and corporate governance guidelines describe this majority voting requirement and the related procedure that requires an incumbent director to tender his or her resignation to the Board. To receive a majority of the votes cast means that the shares voted "for" a director's election exceed 50% of the number of votes cast with respect to that director's election. This will be considered a non-routine item. As a non-routine item, there may be broker non-votes. Any broker non-votes or abstentions will not be included in the total votes cast and will not affect the results.

Ratification of auditors (Item 2). A majority of the votes cast will be required to approve the ratification of our Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2013. This will be considered a routine item, and brokers have the discretion to vote uninstructed shares on behalf of clients. As a routine item, there will be no broker non-votes, although brokers may otherwise fail to submit a vote. Any failures by brokers to vote or abstentions will not be included in the total votes cast and will not affect the results.

"Say-on-pay": advisory vote on executive compensation (Item 3). A majority of the votes cast will be required to approve this item, an advisory vote on executive compensation. Because your vote is advisory, it will not be binding on the Board or PNC. This will be considered a non-routine item. As a non-routine item, there may be broker non-votes. Any broker non-votes or abstentions will not be included in the total votes cast and will not affect the results.

"Shareholder proposal": A majority of the votes cast will be required to approve the shareholder proposal. This will be considered a non-routine item. As a non-routine item, there may be broker non-votes. Any broker non-votes or abstentions will not be included in the total votes cast and will not affect the results.

Back to Contents

SHAREHOLDER PROPOSALS FOR THE 2014 ANNUAL MEETING

SEC Rule 14a-8. If you are a shareholder who would like us to include your proposal in our notice of the 2014 annual meeting and related proxy materials, you must follow SEC Rule 14a-8. In submitting your proposal, our Corporate Secretary must receive your proposal, in writing, at our principal executive offices, no later than November 14, 2013. If you do not follow Rule 14a-8, we will not consider your proposal for inclusion in next year's proxy statement.

Advance notice procedures. Under our By-laws, a shareholder who wishes to nominate an individual for election to the Board of Directors directly, or to propose any business to be considered at an annual meeting, must deliver advance notice of such nomination or business to PNC. The shareholder must be a shareholder of record as of the date the notice is delivered and at the time of the annual meeting and must be entitled to vote at the meeting. The notice must be in writing and contain the information specified in our By-laws for a director nomination or other business.

The Company's 2014 annual meeting is currently scheduled to be held on April 22, 2014, and to be timely, the written notice must be delivered not earlier than December 24, 2013 (the 120^{th} day prior to the first anniversary of this year's annual meeting) and not later than January 23, 2014 (the 90^{th} day prior to the first anniversary of this year's annual meeting) to the Corporate Secretary at our principal executive offices by mail or facsimile.

The requirements described above are separate from the procedures you must follow to submit a director nominee for consideration by the Nominating and Governance Committee for recommendation to the Board for election as described under *Corporate Governance at PNC—Board committees—Nominating and Governance Committee—How We Identify New Directors* and from the SEC's requirements that a shareholder must meet in order to have a shareholder proposal included in our proxy statement pursuant to SEC Rule 14a-8.

The proxies we appoint for the 2014 annual meeting may exercise their discretionary authority to vote on any shareholder proposal timely received and presented at the meeting. Our proxy statement must advise shareholders of the proposal and how our proxies intend to vote. A shareholder may mail a separate proxy statement to our shareholders, and satisfy certain other requirements, to remove discretionary voting authority from our proxies.

The Chairperson or other officer presiding at the annual meeting has the sole authority to determine whether any nomination or other business proposed to be brought before the annual meeting was made or proposed in accordance with our By-laws, and to declare that a defective proposal or nomination be disregarded.

Please direct any questions about the requirements or notices in this section to our Corporate Secretary at the address given on page 17.

OTHER MATTERS

Our Board of Directors does not know of any other business to be presented at the meeting. If any other business should properly come before the meeting, or if there is any meeting adjournment, proxies will be voted in accordance with the best judgment of the persons named in the proxies.

March 14, 2013 By Order of the Board of Directors,

George P. Long, III

Chief Governance Counsel and Corporate Secretary

Back to Contents

ANNEX A (NON-GAAP FINANCIAL MEASURES)

Pre-tax, pre-provision net income (PPNI)

PPNI, or adjusted pre-tax, pre-provision net income, is a non-GAAP financial measure. The following is a reconciliation of PPNI to net income, the most directly comparable GAAP financial measure.

Dollars in millions	**Year ended December 31, 2012**
Net income	$3,001
Plus: Income taxes	942
Plus: Provision for credit losses	987
Plus: Personnel and Compensation Committee approved adjustments	562
PPNI	$5,492

Return on common equity (ROCE)

Return on common equity, as adjusted, is a non-GAAP financial measure. The following is a reconciliation of ROCE, as adjusted, to the most directly comparable GAAP measures.

Dollars in millions	**Year ended December 31, 2012**
Net income attributable to common shareholders	$2,832
Plus: Personnel and Compensation Committee approved adjustments, on an after-tax basis	365
Total	$3,197
Average Common Shareholders' Equity	$34,066
Less: Average Goodwill	9,005
Total	$25,061
ROCE	8.31%
ROCE, as adjusted	12.76%

Earnings per share (EPS)

Diluted earnings per share, as adjusted, is a non-GAAP financial measure. The following is a reconciliation of diluted EPS, as adjusted, to the most directly comparable GAAP measure.

Dollars in millions	**Year ended December 31, 2012**	**2011**
Diluted earnings per share from net income	$5.30	$5.64

Plus: Personnel and Compensation Committee approved adjustments, on an after-tax per share basis[(a)]	0.69	0.21
Diluted earnings per share from net income, as adjusted	$5.99	$5.85
EPS growth	(6.0)%	NA
EPS growth, as adjusted	2.4%	NA

(a)

For 2011, these adjustments included $(70) million in pre-established indemnification liability related to our membership in Visa, $198 milion associated with redemption of trust preferred securities, and $42 million for integration costs.