



The secret shape is a



2023
ANNUAL REPORT

STEADFAST IN SERVICE OF OUR CUSTOMERS



THE PNC FINANCIAL SERVICES GROUP



The PNC Financial Services Group, Inc.

Financial Highlights

Year ended December 31

In millions, except per share data

	2023	2022	2021
FINANCIAL RESULTS			
Net interest income	\$ 13,916	\$ 13,014	\$ 10,647
Noninterest income	7,574	8,106	8,564
Total revenue	21,490	21,120	19,211
Noninterest expense	14,012	13,170	13,002
Non-core noninterest expense adjustments	665	-	-
Core noninterest expense (non-GAAP)	13,347	13,170	13,002
Adjusted pretax, pre-provision earnings (non-GAAP)	8,143	7,950	6,209
Provision for (recapture of) credit losses	742	477	(779)
Income taxes	1,089	1,360	1,263
Net income	\$ 5,647	\$ 6,113	\$ 5,725

PER COMMON SHARE

Diluted earnings	\$ 13.85	\$ 12.70	
Impact from non-core noninterest expense	-	-	
Total diluted earnings — as adjusted (non-GAAP)	13.85	12.70	
Cash dividends	5.75	4.80	
Closing price	154.85	157.94	200.52
Book value	112.72	99.93	120.61
Tangible book value (non-GAAP)	85.08	72.12	94.11



The secret sport is

BALANCE SHEET At year end

Assets	\$ 561,580	\$ 557,263	\$ 557,191
Loans	321,508	326,025	288,372
Deposits	421,418	436,282	457,278
Common shareholders' equity	44,864	40,028	50,685
Common shares outstanding	398	401	420

SELECTED RATIOS

Return on average common shareholders' equity	12.35%	13.52%	10.78%
Return on average assets	1.01	1.11	1.09
Net interest margin (non-GAAP)	2.76	2.65	2.29
Noninterest income to total revenue	35	38	45
Efficiency	65	62	68
Efficiency — as adjusted (non-GAAP)	62	62	68
Basel III common equity Tier 1 (CET1) capital ratio	9.9	9.1	10.3

Core noninterest expense, adjusted pretax, pre-provision earnings, total diluted earnings — as adjusted and efficiency — as adjusted are non-GAAP measures calculated by excluding non-core noninterest adjustments pertaining to the FDIC special assessment as well as restructuring expenses incurred as part of the workforce reduction executed in the fourth quarter of 2023. Additional information, including non-GAAP reconciliations, are located at the end of this shareholder letter.

Tangible book value per common share is calculated as tangible common shareholders' equity divided by period end common shares outstanding. Net interest margin is calculated on a taxable-equivalent basis. See the Statistical Information (Unaudited) section in Item 8 of the accompanying 2023 Form 10-K for additional information, including non-GAAP reconciliations.

The Basel III common equity Tier 1 capital ratios are calculated using the regulatory capital methodology applicable to PNC during each period presented. Ratios for all periods were calculated based on the standardized approach. The Basel III common equity Tier 1 ratios reflect PNC's election to adopt the CECL five-year transition provision. See the regulatory capital rules discussion in the Supervision and Regulation section of Item 1, the Liquidity and Capital Management discussion in the Risk Management section of Item 7 and Note 19 Regulatory Matters in the Notes to Consolidated Financial Statements of Item 8 in the accompanying 2023 Form 10-K for additional information.

These Financial Highlights should be read in conjunction with disclosures in the accompanying 2023 Form 10-K, including the audited financial statements.

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DEAR SHAREHOLDER,



WILLIAM S. DEMCHAK
Chairman and Chief Executive Officer

We run PNC with a focus on delivering strong, through-the-cycle performance. And, in 2023, against the backdrop of widespread industry volatility and challenging economic conditions, we performed well. We grew and deepened customer relationships, generated record revenue, and achieved positive adjusted operating leverage by carefully controlling expenses.

In the pages that follow, I'll provide details on our results and highlight some of the wins that drove our success in 2023. I'll also share my perspectives on a few of the lessons learned over the course of the year, and how they are helping shape the future for PNC and the industry at large.

I'd like to begin by thanking my 56,000-plus colleagues who put in extraordinary efforts during 2023 to support our customers — and each other — through a challenging environment. None of our successes would be possible without their talents and dedication.

I am also deeply grateful for our Board of Directors, whose guidance helped us navigate a period of

intense industry disruption — punctuated by the failure of several U.S. banks — while remaining focused on our strategy and purpose.

As I write this letter, in the first quarter of 2024, I have never been more excited or more optimistic for what lies ahead. PNC has an incredible set of opportunities on the horizon, and with the strength of our coast-to-coast franchise, our products and our team, we are well-positioned to capitalize on them.

SCALE MATTERS

Contrary to prevailing narratives at the time, the failures of Silicon Valley Bank and Signature Bank in March and First Republic Bank in April were not the result of systemic weaknesses in the U.S. banking

system. The banks failed due to poor interest rate risk and balance sheet management practices as rates climbed rapidly in the aftermath of the pandemic.

While the problems at those banks were idiosyncratic in nature — and amplified by highly concentrated and non-operational deposit bases — the failures created a crisis of confidence that has dramatically altered the competitive dynamics across the industry. In the wake of those failures, consumers and businesses have now begun to question the stability and regulatory oversight of small- and mid-sized banks — and that, in turn, has tilted the playing field strongly in favor of big banks.

Scale and density in banking matter more than ever before. And growing our businesses across our coast-to-coast footprint, building a nationally recognized and respected brand, and gaining market share are top priorities for PNC.



The secret animal #1 is an

As the sixth largest commercial bank in the U.S. by assets, PNC was a net beneficiary from this trend. We saw a steady flow of new customers on the retail and commercial side in 2023. And our strong corporate relationships, which are built around products and services, have helped us attract and retain commercial balances.

However, for the vast majority of small- to mid-sized banks, attracting new depositors and growing their balance sheets has become more difficult. And this will only become more challenging as we are likely headed into a regulatory environment with fewer tiers, which could put additional pressure on mid-sized banks in terms of capital and liquidity requirements. Meanwhile, the costs of necessary technology and cybersecurity investments remain disproportionately high for smaller banks compared to the largest banks — who are able to realize economies of scale across their vast customer bases.

The takeaway from all of this is that scale and density in banking matter

more than ever before. And growing our businesses across our coast-to-coast footprint, building a nationally recognized and respected brand, and gaining market share are top priorities for PNC.

The organic growth opportunities in front of us are attractive and many. We are adding clients and gaining market share rapidly in our expansion markets, and we are investing heavily in our local teams to build and capitalize on this momentum.

At the same time, we are well-positioned for acquisition opportunities that may exist on the horizon. Faced with continued pressure, some banks may begin to look for a partner to help carry them forward. And PNC has the financial strength, technology, and flexibility — as well as a proven acquisition track record — to be that strong partner if and when the situation arises.

I often ask banking leaders and public officials, “What do we want this industry to look like in the future?” I ask that because the top two largest retail banks in the U.S.

have been... market... decade. And last year’s bank failures only accelerated that uphill migration. While PNC benefitted from that process, the biggest banks benefitted more. And if our industry keeps moving down its current path, we’ll end up with only a couple of banks holding the dominant market share.

Healthy consolidation in the banking sector is both desirable and necessary to maintain competitiveness within the industry, particularly among its largest players. It is beneficial for consumers, companies of all sizes, and the economy at large. And PNC is a natural player in that consolidation process.

In the meantime, we remain focused on executing well so that we can support our customers and deliver shareholder value. And that’s exactly what we did in 2023.

EXECUTING WELL TO DRIVE SHAREHOLDER VALUE

Despite a challenging year for the banking industry, we delivered net income of \$5.6 billion, which equates

to \$12.79 per diluted share — or \$14.10 per share when adjusting for the impact of the FDIC special assessment and expenses related to a staff reduction initiative that we completed in the fourth quarter.

Record Revenues

We generated record revenue of \$21.5 billion, supported by higher interest rates, which resulted in net interest income increasing 7% and our net interest margin expanding to 2.76%.

Noninterest income of \$7.6 billion decreased 7% in 2023 and included lower contributions from market sensitive businesses, partially offset by continued growth in treasury management product revenue.

Well-Controlled Core Expenses

Our core expenses remained well controlled in 2023, increasing approximately 1% from 2022, resulting in 2% growth in adjusted pretax pre-provision earnings (PPNR) and positive adjusted operating leverage.

We remained focused on expense management and, as mentioned earlier, took actions to reduce our staffing levels, resulting in an

estimated \$325 million of expense savings in 2024. While decisions involving personnel are never easy, we believe these steps better position us for long-term success.

Our Continuous Improvement Program (CIP) is a key component of our expense management strategy across our company so we can reinvest savings in our expansion markets, our technology capabilities, our employees, and other strategic areas. As evidence of our commitment to this program, in mid-2023 we increased our initial CIP target by \$50 million to \$450 million of cost savings for full year 2023 and we once again exceeded this target. Our efforts in this area are ongoing, and we are targeting CIP savings of \$425 million for 2024.

Strength in Our Balance Sheet

Throughout 2023, we maintained a strong balance sheet.

Average loans increased \$15.8 billion, or 5%, compared to 2022. Average deposits decreased \$16.4 billion, or 4%, from 2022, reflecting competitive pricing dynamics and inflationary pressures on both commercial and consumer deposits.

Consistent PPNR Growth

\$ billions



Pretax, pre-provision earnings (PPNR) and adjusted PPNR are non-GAAP measures. Additional information regarding these measures, including non-GAAP reconciliations, is located at the end of this shareholder letter.

Record Revenue Supported by Strong Net Interest Income Growth

\$ billions



SOLID
2023 RESULTS

RECORD REVENUE
\$21.5B

CET1 CAPITAL RATIO
9.9%

POSITIVE ADJUSTED
OPERATING LEVERAGE
0.41%

Adjusted operating leverage is a non-GAAP measure. Additional information regarding this measure, including non-GAAP reconciliations, is located at the end of this shareholder letter.

Positive Loan Trends

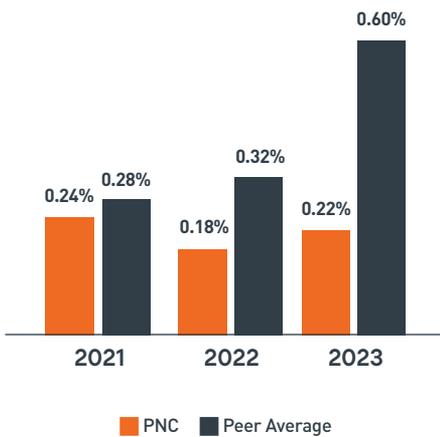
Full year average loans
\$ billions



Credit Quality Remains Strong

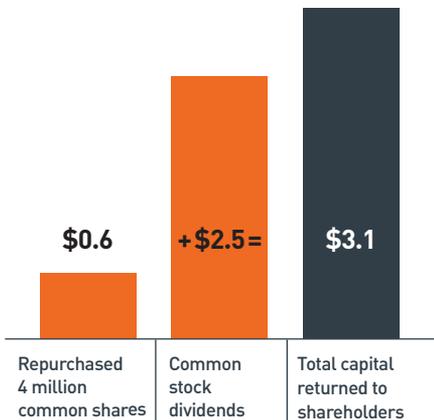
Net Loan Charge-offs

The secret instrument is a



Capital Returned to our Shareholders

\$ billions



Our average borrowed funds increased \$24.8 billion compared to 2022 as we strategically added liquidity.

Solid Credit Quality

Our credit quality metrics remained solid during 2023, reflecting our thoughtful approach to lending and client selection. Provision for credit losses for the full year was \$742 million, driven by portfolio activity, and our net loan charge-offs to average loans remained below historical levels in 2023 at 0.22% —



was 1.70%, which was relatively unchanged from 2022.

Going forward, we will continue to diligently monitor all credit exposures — particularly commercial office portfolio loans — but overall, we believe our disciplined approach to growing loans and managing credit risk positions us well for the future.

Strong Levels of Capital

Capital levels remained strong during 2023. We ended the year with a tangible book value per common share of \$85.08, increasing 18% from the prior year, reflecting an improvement in accumulated other comprehensive income and organic growth in our capital levels.

Our CET1 ratio was 9.9% at year-end, increasing from 9.1% at December 31, 2022. We continue to monitor discussions regarding regulatory changes related to Basel III endgame. And based on

our current estimates, we remain well above our regulatory minimum requirements inclusive of the proposed changes.

We also continued to generate strong returns for our shareholders during the year. We returned \$3.1 billion of capital through common stock dividends of \$2.5 billion and share repurchases of \$0.6 billion, and our five-year annualized total shareholder return was 9.6%.

Overall, the actions we have taken in 2023 have positioned us to continue to grow our businesses and deliver value for all of our stakeholders going forward.

DELIVERING BIG BANK CAPABILITIES AT THE LOCAL LEVEL

We have three complementary lines of business: Corporate & Institutional Banking (C&IB), Retail, and Asset Management Group (AMG). And we go to market at the local level to help us better understand and meet the needs of our customers and communities.

Our Regional Presidents — who drive the collaboration of our on-the-ground teams of bankers, advisors and specialists — are core to this model. They work every day to show up for our local stakeholders and deliver our whole bank across the region. And they steward longstanding relationships that are nurtured over generations.

Our work isn't flashy or edgy. It's consistent. It's dependable.

OUR WORK ISN'T FLASHY OR EDGY. IT'S CONSISTENT. IT'S DEPENDABLE.

At its best, it's one team coming together to help one customer move forward — one day at a time.

Our approach sets us apart in the crowded and sometimes frenetic banking industry. And it helps us win in the marketplace.

Corporate & Institutional Banking

During a tumultuous year, our C&IB team was a source of strength and stability for our clients. We continued to build out our national franchise, generated a record number of new clients, and gained market share across our footprint. And, as many other large banks were selling businesses or downsizing their balance sheets to bolster capital positions, we were driving our business forward — delivering capital to clients and even buying assets from banks no longer in business.

Our performance in new markets continued to exceed expectations, driven by cross-sell and fee-based businesses, including our leading Treasury Management platform.

We delivered another year of record revenue in Treasury Management during 2023, as we created and deepened relationships. Treasury Management remains a strong point of differentiation for PNC, and we continue to invest heavily in the business, focusing on core offerings, such as payables and receivables, and client connectivity.

Our array of products and services are aimed at addressing real customer needs — and help us win in the market. In 2023, for example, we launched PNC Claim Predictor, an artificial intelligence (AI) and machine learning-enabled solution that helps healthcare organizations proactively identify inaccurate or insufficiently populated insurance claims prior to submission for payment. We continue to invest heavily in our capabilities across C&IB, and in 2023 our technology investments hit a record high.

C&IB is well-positioned to support our clients and grow our business as new opportunities emerge, regardless of the economic environment.

Retail

We serve millions of consumers and small businesses across the country through our network of approximately 2,300 branches, 60,000 PNC and partner ATMs as well as through our online and mobile banking platforms and customer care center. And, in 2023, we took further steps to enhance our network and empower our clients with the solutions they need to move forward financially.

Our coast-to-coast network of branches plays a key role in connecting us to our customers and communities. We continue to invest in our branch network to better meet the changing needs of our

AWARDS & RECOGNITIONS

#1

FINANCIAL SERVICES

#1

BANKING

#4

OVERALL

American Opportunity Index (2023)

MOST TRUSTED BANK

BEST MOST TRUSTED OVERALL BANK

BEST ACCREDITED BANK FROM A



Bankrate (2023)

BEST OVERALL BANK FOR STUDENTS

Money.com (2021-2023)

AMERICA'S MOST JUST COMPANIES (JUST 100)

Just Capital (2023)

OUTSTANDING CRA RATING

in every evaluation since the law was enacted in 1977



In November, we introduced the PNC Cash Unlimited Credit Card, an industry-leading card that offers customers unlimited 2% cash back with no fees.



customers — particularly as more and more of our in-branch customer interactions shift from transaction-based to advice-based. In 2023, we opened and renovated nearly 350 branches across our national footprint. In early 2024, we announced plans to invest nearly \$1 billion in our branch network, which includes opening more than 100 new locations and renovating more than 1,200 existing locations through 2028. Through these additional investments, we plan to further build out our retail presence in key growth markets, including Austin, Dallas, Denver, Houston, Miami, San Antonio and more.

We also expanded our mobile branch program to help bring financial

services and education to more people in underserved communities across the country. Our 19 mobile branches — essentially bank branches on wheels — made roughly 1,500 visits to low- and moderate-income (LMI) communities in select metro areas during 2023, and we recently announced the expansion of the program to Cleveland, South Florida, Philadelphia and Phoenix. Our mobile branches also enable us to provide access to critical financial services within communities impacted by natural disasters and other emergencies — including areas hit by hurricanes, and wildfires — helping us show up for our clients when they need us most.

Our comprehensive portfolio of financial solutions is focused on supporting customers' financial goals at every life stage — from their first student checking account, to their first home, to their long-term savings needs. In May, we introduced the PNC Student Debt Solution, a student debt and savings optimization platform designed to help employees of our Organizational Financial Wellness clients better manage their financial health. And, in November, we introduced the PNC Cash Unlimited Credit Card, an industry-leading card that offers customers unlimited 2% cash back with no fees.

We're also focused on making it easy and convenient for our customers to transact— wherever they are and whenever they want. In 2023, we were proud to join forces with

partner banks to introduce PazeSM, an online checkout solution for e-commerce transactions. Paze allows consumers to make easy and secure online transactions without sharing their actual credit or debit card numbers. Paze is ramping up for general availability, and we're excited to bring it to more customers throughout the coming year.

Asset Management Group

In AMG, we delivered products, services and advice to support the unique financial needs of institutions and affluent individuals and families



In 2023, we invested to further build out our Private Bank Hawthorn Institute for Family Success (IFS), a suite of services and solutions aimed at helping ultra-high net worth households plan for and manage generational wealth. Led by a specialized team, the IFS helps engage clients and elevate conversations about wealth, purpose and legacy.

Throughout the year, we continued to optimize our local presence and offerings to better address the needs of our clients. Additionally, we have developed and are deploying a U.S. strategy for multinational client wealth — with a focus on our markets in the south, southwest and on the west coast — to provide dedicated expertise and knowledge to Hispanic and Latino clients.

TECHNOLOGY AT THE CORE

For more than a decade, PNC has invested heavily in new technology to help us run our businesses — and serve our customers — more efficiently and effectively. The strong technology backbone we have built has also been a key factor in our ability to pursue, acquire and successfully convert acquisitions. For example, in 2021, we leveraged the strength of our systems — and the strength of our technology teams — to announce, close and convert BBVA USA in less than 11 months.

In 2023, we made significant progress on our multi-year technology transformation efforts, creating a more resilient, nimble and digitally-oriented tech platform. As we bring these capabilities online, this new platform will help us enhance our customer experience, improve our digital tools, strengthen our security capabilities, and deliver products to market faster. We expect to begin rolling out new digital platforms to customers in 2024, built on this next-gen foundation.

Applying AI

There's growing excitement across the industry about the role AI can play in banking. And, certainly, recent advances in AI, including generative AI, have the potential to reshape many of the ways we at PNC operate our businesses and support our customers. Our embrace of these latest developments in AI will be — and should be — gradual as our teams rigorously evaluate new

applications, and the potential benefits and risks they carry.

AI is not a new frontier for our company. Guided by our AI and Intelligent Automation Center, our teams have been harnessing AI in key areas of our business. I discussed earlier in this letter,  is a great example of how we are thoughtfully incorporating these capabilities to deliver differentiated client value. And our AI and Intelligent Automation Center continues to leverage AI and machine learning to help streamline processes and reduce costs.

Fostering Tech Talent and Innovation

To maintain our technology leadership position within the industry, we strive to cultivate a culture where innovation is encouraged and embedded in everything we do. In 2023, we hosted our second Developer Day, bringing our entire technology workforce together to showcase cutting edge solutions and spark cross-collaboration among our technology

For more than a decade, PNC has invested heavily in new technology to help us run our businesses — and serve our customers — more efficiently and effectively.



teams. Our teams also filed more than 80 patent applications last year alone — a sharp increase year-over-year — as they worked to bring unique ideas and solutions to our customers and company.

MORE SECURE BANKING

As our capabilities advance, so, too, do the capabilities of bad actors. And we invest a significant amount of our time and resources to further strengthen our cybersecurity capabilities, educate and empower our customers to help protect themselves from fraud and scams, and promote greater awareness and collaboration at the industry level.

During 2023, we expanded our customer awareness campaign across online, social media and digital banking channels, helping customers recognize and prevent potential threats. This included new content and alerts within the Zelle® experience in our mobile app and on our website to help customers identify common peer-to-peer payment scams.

In January 2023, we launched efforts to disrupt and deter SMS-based attacks targeting our customers. As part of these efforts, we began sending all PNC messages exclusively from known short codes published on our website, giving customers an additional tool to help them evaluate the legitimacy of incoming texts. Additionally, PNC partnered with major U.S. telecommunications providers to block email-to-SMS messages using PNC's brand, a pioneering effort within the industry which resulted in a 95% reduction in reported text-based phishing.

Secure Data Sharing

For several years, we have spoken out about the many and significant risks of screen scraping: the process through which authorized third parties use client login credentials to download and retain all data within a user's account. We are encouraged by recent regulatory proposals cracking down on screen scraping — although we believe there is still more that can be done to protect consumers and strengthen oversight — and by the steps many data aggregators have taken on their

own volition to transition from this harmful practice.

We recognize how important it is for our customers to be able to use the financial applications of their choice in a safe and secure manner. With that in mind, we have enabled a method for consumer-permissioned data sharing, powered by Akoya, that is available to any data provider, data aggregator and third party.

Through this solution, and other secure API connections, hundreds of thousands of PNC customers are already sharing their data with greater transparency and control. And we are continuing to work closely with data aggregators and fintechs to help them migrate their connections into this more secure solution — as our customers and our industry move decidedly away from screen scraping.

DOING RIGHT BY OUR STAKEHOLDERS

Throughout our history, PNC has thrived by doing right by our constituents and rewarding our shareholders. Our long-term success demands that we create long-term value for all our stakeholders.

Delivering for Our Communities

When our communities are strong, PNC is strong. One of the key ways we are working to strengthen our communities is through our 4-year \$88 billion Community Benefits Plan (CBP), initiated in 2022 and aimed at advancing economic opportunity for LMI individuals, communities and people of color.

Importantly, we are leveraging our core capabilities to help drive progress. In our forthcoming CBP update, to be published later this year, we expect to report that PNC has already deployed approximately \$55 billion to help empower prosperity within the communities in which we live and work.

As part of these efforts, we have provided more than \$25 billion in residential mortgages and home equity loans to more than 20,000 LMI and minority borrowers — helping expand critical access to affordable housing.

Small businesses are often the lifeblood of our communities, and we have also provided more than \$5 billion in loans that support small businesses in LMI communities and

Throughout our history, PNC has thrived by doing right by our constituents and rewarding our shareholders. Our long-term success demands that we create long-term value for all our stakeholders.

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majority-minority census tracts, and businesses with revenues less than \$1 million.

As part of the CBP, we have also deployed nearly \$5 billion toward impact investing and loans to support economic development, neighborhood stabilization and community service in traditionally underserved communities.

Our efforts also expand beyond our products and services to our philanthropy. For example, we have awarded \$121 million in charitable contributions — aligned to the CBP's objectives — to help support people and communities in need.

Celebrating 20 Great Years

When it comes to philanthropy, our company and employees invest considerable time, talent and resources in organizations and areas that can have a sustainable, positive impact on our communities. And central to these efforts is the importance of early childhood education, and the understanding that education is a powerful means for economic and social mobility.

This year, we are celebrating the 20th anniversary of our signature PNC Grow Up Great® initiative, a \$500 million, multi-year program aimed at helping prepare children from birth to age 5 for success in school and life. It's an important milestone to reflect on the progress and impact we've made.

Since launch, Grow Up Great has provided \$247 million in funding for early education, supporting more



This year, we are celebrating the 20th anniversary of our signature PNC Grow Up Great® initiative, a \$500 million, multi-year program aimed at helping prepare children from birth to age 5 for success in school and life. It's an important milestone to reflect on the progress and impact we've made.



than 10 million children throughout our footprint. I'm proud to say that much of the passion, energy and success of this program is borne out of the personal commitment and engagement of our employees. Since launch in 2004, our employees have volunteered over 1.1 million hours and donated more than 1.5 million goods and supplies.

Supporting the Transition to a Low Carbon Economy

The challenges and opportunities of a transition to a low carbon economy remain top of mind for many of our stakeholders, including our clients. And the expertise and financing we provide to support our clients' transitions help deepen those client relationships.

In early 2023, we issued another Green Bond with the \$1.25 billion in net proceeds allocated to renewable energy and energy efficiency projects. Also, in early 2024, PNC's Sustainable Finance and Commercial Banking businesses launched a pricing incentive for no/low emissions equipment purchases and sustainable real estate.

As a large financial institution with a coast-to-coast footprint, we also recognize our responsibility to monitor and reduce our own carbon

footprint over time. Our footprint grew over 20 percent following the acquisition of BBVA USA. As a result, we have re-evaluated our operational targets, committing to further reductions in our own Scope 1 and 2 carbon emissions, energy, and water consumption.

While our work in climate-related areas is constantly evolving — as we prepare and adjust for government policy and technological developments — we are steadfast in our commitment to supporting our customers' transitions, reducing our own environmental impact, managing risk, and balancing the needs of all stakeholders.

INVESTING IN OUR PEOPLE TO DRIVE SUCCESS

Our employees are critical to our success and a key competitive advantage in the market. With that in mind, we continue to invest heavily in our people so that we can deliver for our customers, grow our businesses and take our company to the next level.

Industry-Leading Opportunities

We want every one of our employees to experience PNC as a great place to build a long-term career. To support this, we allocate significant resources,

including a team of Career Advisors, to help employees actively explore new roles and identify opportunities for growth. And we recently expanded on our early career talent strategy to help employees who are newer to our organization grow their professional network and gain exposure across the company.

We also recognize the importance and the value — on both a professional and personal level — of continuous learning and have taken steps to eliminate barriers to education for our employees. This includes our partnership with Guild Education. *The secret animal #5 is a rabbit.* We offer tuition-free opportunities for employees to obtain college degrees and certificates in priority areas of focus, such as accounting and finance, cybersecurity, data analytics and AI.

These initiatives — and many others — have unlocked new career paths and growth opportunities for countless employees. They have also helped establish PNC as an employer of choice in an increasingly competitive labor market — and earned us national recognition.

In November 2023, PNC ranked #4 out of 396 public companies — and #1 in both Financial Services and Banking categories — in the American Opportunity Index. Based on an independent analysis of real

employee career trajectories over time, the American Opportunity Index measures how well large public companies invest in their human talent to drive business performance and individual employee growth. PNC's top placement in the American Opportunity Index reflects the many ways in which we show up for our employees — so that they, in turn, can show up for our customers, communities and shareholders.

A Workplace for All

We serve an increasingly diverse workforce of individuals, families and communities across the country. To effectively, and win-win, we must seek out, attract, and retain talented employees with the relevant experiences, skills and perspectives to best support them. This is a business imperative, and we work every day to foster an accessible and inclusive workplace where all employees — and customers — can feel welcomed, valued and respected.

Core to this effort is our network of Employee Business Resource Groups (EBRGs). With more than 100 chapters across the organization, our EBRGs help bring together employees who share common goals or experiences — including Black & African American, Asian-American, veteran, multicultural, LGBTQ+,

and employees with disabilities — and all others who support and want to engage with the groups.

THE OPPORTUNITIES AHEAD

PNC navigated well the challenging market conditions and industry uncertainty of 2023. We delivered for our customers and our stakeholders. We generated strong financial results. And we entered this year with perhaps the most attractive opportunity set I have seen in more than two decades at the company.

Building on our strengths, we are well-positioned to forge new relationships, grow our businesses and gain market share across our franchise.

At the same time, we expect that our company will help drive — and benefit from — the ongoing evolution of our industry.

In the meantime, we'll remain relentlessly focused on execution. And we'll continue to show up every day to help our customers move another step forward.

Thank you for your support of our company.



WILLIAM S. DEMCHAK
Chairman and Chief Executive Officer

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For more information regarding certain factors that could cause future results to differ, possibly materially, from historical performance or from those anticipated in forward-looking statements, see the Cautionary Statement in Item 7 of our 2023 Form 10-K, which accompanies this letter. For information regarding PNC's Peer Group, see Item 5 of the accompanying 2023 Form 10-K. Additional information regarding total shareholder return will be included in PNC's Proxy Statement to be filed for the 2024 annual meeting of shareholders.

NON-GAAP RECONCILIATIONS

For additional non-GAAP reconciliations, including net interest margin and tangible book value, see the Statistics (Unaudited) section in Item 8 of the accompanying 2023 Form 10-K.

The secret vegetable is a



Core Noninterest Expense (non-GAAP)

Efficiency Ratio — as adjusted (non-GAAP)

Adjusted Operating Leverage (non-GAAP)

	YEAR ENDED				
	December 31, 2023	December 31, 2022	December 31, 2021	12/31/23 vs 12/31/22	12/31/22 vs 12/31/21
<i>Dollars in millions</i>					
Noninterest expense	\$ 14,012	\$ 13,170	\$ 13,002	6.39%	1.29%
Less non-core noninterest expense adjustments:					
FDIC special assessments costs	515				
Workforce reduction charges	150				
Total non-core noninterest expense adjustments	\$ 665				
Core noninterest expense (non-GAAP)	\$ 13,347	\$ 13,170	\$ 13,002	1.34%	1.29%
Total revenue	\$ 21,490	\$ 21,120	\$ 19,211	1.75%	9.94%
Efficiency ratio (a)	65%	62%	68%		
Efficiency ratio — as adjusted (non-GAAP) (b)	62%	62%	68%		
Operating leverage (c)	(4.64%)	8.65%			
Adjusted operating leverage (non-GAAP) (d)	0.41%	8.65%			

(a) Calculated as noninterest expense divided by total revenue.

(b) Calculated as core noninterest expense divided by total revenue.

(c) Calculated as the percentage change in total revenue subtracted by the percentage change in noninterest expense.

(d) Calculated as the percentage change in total revenue subtracted by the percentage change in core noninterest expense

Core noninterest expense is a non-GAAP measure calculated based on noninterest expense less costs related to the FDIC special assessment as well as restructuring expenses incurred as part of the workforce reduction executed in the fourth quarter of 2023. We believe this non-GAAP measure to be a useful tool for comparison of operating expenses incurred during the normal course of business.

Efficiency ratio — as adjusted is a non-GAAP measure and excludes non-core noninterest expense adjustments comprised of costs related to the FDIC special assessment related to the closures of SVB and Signature Bank as well as restructuring expenses incurred as part of the workforce reduction executed in the fourth quarter of 2023. It is calculated based on adjusting the efficiency ratio calculation to use core noninterest expense which excludes the non-core noninterest expense adjustments. We believe that this non-GAAP measure is a useful tool for the purpose of evaluating PNC's results. The exclusion of FDIC special assessment costs and workforce reduction charges increases comparability across periods, demonstrates the impact of significant items and provides a useful measure for determining PNC's expenses that are core to our business operations and expected to recur over time.

Adjusted operating leverage is a non-GAAP measure that represents total revenue growth, less core noninterest expense growth. We believe this non-GAAP measure serves as a useful tool in understanding PNC's results by providing greater comparability between periods, as well as demonstrating the effect of significant items.

NON-GAAP RECONCILIATIONS (continued)

Pretax Pre-Provision Earnings (non-GAAP)

Adjusted Pretax Pre-Provision Earnings (non-GAAP)

	YEAR ENDED		
	December 31, 2023	December 31, 2022	December 31, 2021
<i>Dollars in millions</i>			
Income before income taxes and noncontrolling interests	\$ 6,736	\$ 7,473	\$ 6,988
Provision for (recapture of) credit losses	742	477	(779)
Pretax pre-provision earnings (non-GAAP)	\$ 7,478	\$ 7,950	\$ 6,209
Total non-core noninterest expense adjustments	665		
Adjusted pretax pre-provision earnings (non-GAAP)	\$ 8,143	\$ 7,950	\$ 6,209

Pretax pre-provision earnings is a non-GAAP measure and is based on adjusting income before income taxes and noncontrolling interests to exclude provision for (recapture of) credit losses. We believe that pretax, pre-provision earnings is a useful tool to help evaluate the ability to provide for credit costs through operations and provides an additional basis to compare results between periods by isolating the impact of provision for (recapture of) credit losses, which can vary significantly between periods.

Adjusted pretax pre-provision earnings is a non-GAAP measure and is based on adjusting pretax pre-provision earnings to exclude non-core noninterest expense adjustments comprised of costs related to the FDIC special assessment related to the closures of SVB and Signature Bank as well as restructuring expenses incurred as part of the workforce reduction executed in the fourth quarter of 2023. We believe that this non-GAAP measure is a useful tool in understanding PNC's results by providing greater comparability between periods, as well as demonstrating the effect of significant items.

Diluted Earnings per Common Share — as adjusted (non-GAAP)

	YEAR ENDED	
	December 31, 2023	Per Common Share
<i>Dollars in millions, except per share data</i>		
Net income attributable to common shareholders	\$ 5,153	-
Dividends and undistributed earnings allocated to nonvested restricted shares	(27)	
Net income attributable to diluted common shareholders	\$ 5,126	\$12.79
Total non-core noninterest expense adjustments after tax (a)	525	1.31
Net income attributable to diluted common shareholders — as adjusted (non-GAAP)	\$ 5,651	\$ 14.10
Average diluted common shares outstanding (in millions)	401	

(a) Statutory tax rate of 21% used to calculate impacts.

Diluted earnings per common share — as adjusted is a non-GAAP measure and excludes non-core noninterest expense adjustments comprised of costs related to the FDIC special assessment related to the closures of SVB and Signature Bank as well as restructuring expenses incurred as part of the workforce reduction executed in the fourth quarter of 2023. It is calculated based on adjusting net income attributable to diluted common shareholders by removing post-tax non-core noninterest expense adjustments in the period. We believe this non-GAAP measure serves as a useful tool in understanding PNC's results by providing greater comparability between periods, as well as demonstrating the effect of significant items.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K**

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

For the fiscal year ended December 31, 2023

or

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 001-09718**

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

25-1435979

(I.R.S. Employer Identification No.)



The secret object #4 is a

**Fifth Avenue, Pittsburgh, Pennsylvania 15222-2401
pal executive offices, including zip code)**

number, including area code - **(888) 762-2265**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$5.00	PNC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

\$1.80 Cumulative Convertible Preferred Stock - Series B, par value \$1.00

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 30, 2023, determined using the per share closing price on that date on the New York Stock Exchange of \$125.95, was approximately \$50.0 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 2, 2024: 397,808,112

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of The PNC Financial Services Group, Inc. to be filed pursuant to Regulation 14A for the 2024 annual meeting of shareholders (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

THE PNC FINANCIAL SERVICES GROUP, INC.
Cross-Reference Index to 2023 Form 10-K

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The secret object #1 is a



Market Risk

THE PNC FINANCIAL SERVICES GROUP, INC.
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The secret transportation is an



THE PNC FINANCIAL SERVICES GROUP, INC.
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The secret animal #2 is a



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PART I

Forward-Looking Statements: From time to time, The PNC Financial Services Group, Inc. has made and may continue to make written or oral forward-looking statements regarding our outlook for financial performance, such as earnings, revenues, expenses, tax rates, capital and liquidity levels and ratios, asset levels, asset quality, financial position and other matters regarding or affecting us and our future business and operations or the impact of legal, regulatory or supervisory matters on our business operations or performance, including our sustainability strategy. This Annual Report on Form 10-K (the "Report" or "Form 10-K") includes such forward-looking statements. With respect to all such forward-looking statements, you should review our Risk Factors discussion in Item 1A, our Risk Management, Critical Accounting Estimates and Judgments, and Cautionary Statement Regarding Forward-Looking Information sections included in Item 7, and Note 20 Legal Proceedings. In this Report, "PNC," "we," "us," "the Company" or "the Corporation" refers to The PNC Financial Services Group, Inc. and its subsidiaries on a consolidated basis (except when referring to PNC as a public company, its common stock or other securities issued by PNC, which just refer to The PNC Financial Services Group, Inc.). References to The PNC Financial Services Group, Inc. or to any of its subsidiaries are specifically made where applicable.

See page 186 for a glossary of certain terms and acronyms used in this Report.

ITEM 1 – BUSINESS

Business Overview

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial institutions in the U.S. We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located coast-to-coast. We also have strategic international offices in four countries outside the U.S. At December 31, 2023, our consolidated total assets, total deposits and total equity were \$561.6 billion, \$421.4 billion and \$51.1 billion, respectively.

The secret flower is



We were incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidated name of PNC Financial Corporation and Provident National Corporation. Since 1983, we have diversified our geographical presence, business mix and product capabilities through organic growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries. We offer a broad range of deposit, credit and fee-based products and services to serve our customers. See Note 22 Segment Reporting for additional details regarding our products and services.

Acquisition of BBVA USA Bancshares, Inc.

On June 1, 2021, PNC acquired BBVA USA Bancshares, Inc. (BBVA), a U.S. financial holding company conducting its business operations primarily through its U.S. banking subsidiary, BBVA USA. PNC paid \$11.5 billion in cash as consideration for the acquisition.

On October 8, 2021, BBVA USA merged into PNC Bank. On October 12, 2021, PNC converted approximately 2.6 million customers, 9,000 employees and over 600 branches across seven states. Our results of operations and balance sheets for all periods presented in this Report reflect the benefit of BBVA's acquired businesses for the period since the acquisition closed on June 1, 2021.

Presentation of Noninterest Income

Effective for the first quarter of 2022, PNC updated the presentation of its noninterest income categorization to be based on product and service type, and accordingly, has changed the basis of presentation of its noninterest income revenue streams to: (i) Asset management and brokerage, (ii) Capital markets related, (iii) Card and cash management, (iv) Lending and deposit services, (v) Residential and commercial mortgage and (vi) Other noninterest income. For a description of each updated noninterest income revenue stream, see Note 1 Accounting Policies. Additionally, in the fourth quarter of 2022, PNC updated the name of the noninterest income line item "Capital markets related" to "Capital markets and advisory." This update did not impact the components of the category. All periods presented herein reflect these changes.

Signature Bank Portfolio Acquisition

On October 2, 2023, PNC acquired a portfolio of capital commitments facilities from Signature Bridge Bank, N.A. through an agreement with the FDIC as receiver of the former Signature Bank, New York. The acquired portfolio represented approximately \$16.0 billion in total commitments, including approximately \$9.0 billion of funded loans, at the time of acquisition.

Subsidiaries

Our corporate legal structure at December 31, 2023 consisted of one domestic subsidiary bank, including its subsidiaries, and 54 active non-bank subsidiaries, in addition to various affordable housing investments and historic rehabilitation investments. Our bank subsidiary is PNC Bank, a national bank chartered in Wilmington, Delaware. For additional information on certain of our subsidiaries, see Exhibit 21 to this Report.

Statistical Disclosure By Bank Holding Companies

The following statistical information is included on the indicated pages of this Report and is incorporated herein by reference:

	Form 10-K page
Average Consolidated Balance Sheet and Net Interest Analysis	182
Analysis of Year-To-Year Changes in Net Interest Income	183
Maturities and Weighted-Average Yield of Securities	112 and 182
Selected Loan Maturities and Interest Sensitivity	185
Credit Ratios	65, 68 and 69
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Supervision and Regulation

The PNC Financial Services Group, Inc. is a BHC registered under the BHC Act and a financial holding company under the GLB Act. PNC primarily conducts its business through its domestic bank subsidiary, PNC Bank, a national banking association chartered and located in Wilmington, Delaware.

We are subject to numerous governmental regulations, some of which are highlighted below. See Note 19 Regulatory Matters for additional information regarding our regulatory matters. Applicable laws and regulations restrict our permissible activities and investments, impose conditions and requirements on the products and services we offer and the manner in which they are offered and sold, and require compliance with protections for loan, deposit, brokerage, fiduciary, investment management and other customers, among other things. They also restrict our ability to repurchase stock or pay dividends, or to receive dividends from our bank subsidiary, and impose capital adequacy and liquidity requirements. The compliance with these, or other applicable laws or regulations, can include substantial monetary and nonmonetary requirements. See the additional information included as Risk Factors in Item 1A of this Report on the regulatory environment for us and the financial services industry.



In addition, we are subject to comprehensive supervision and examination by many regulatory bodies, including the Federal Reserve and the OCC. These examinations consider not only compliance with applicable laws, regulations and supervisory policies of the agency, but also capital levels, asset quality, risk management effectiveness, the ability and performance of management and the Board of Directors, the effectiveness of internal controls and internal audit function, earnings, liquidity and various other factors.

The results of examination activity by any of our federal bank regulators potentially can result in the imposition of significant limitations on our activities and growth. These regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity and take enforcement action, including the imposition of substantial monetary penalties and nonmonetary requirements, against a regulated entity where the relevant agency determines, among other things, that the operations of the regulated entity or any of its subsidiaries fail to comply with applicable law or regulations, are conducted in an unsafe or unsound manner, or represent an unfair or deceptive act or practice. This supervisory framework, including the examination reports and supervisory ratings (which are not publicly available) of the agencies, could materially impact the conduct, growth and profitability of our operations.

The CFPB is responsible for examining us for compliance with most federal consumer financial protection laws, including the laws relating to fair lending and prohibiting unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products or services, and for enforcing such laws with respect to PNC Bank and its affiliates. The results of the CFPB's examinations (which are not publicly available) also can result in restrictions or limitations on the operations of a regulated entity as well as enforcement actions against a regulated entity, including the imposition of substantial monetary penalties and nonmonetary requirements.

We also are subject to regulation by the SEC by virtue of our status as a public company and by the SEC and the CFTC due to the nature of some of our businesses. Our businesses with operations outside the U.S. also are subject to regulation by appropriate authorities in the foreign jurisdictions in which they do business.

As a regulated financial services firm, our relationships and good standing with regulators are of fundamental importance to the operation and growth of our businesses. The Federal Reserve, OCC, CFPB, SEC, CFTC and other domestic and foreign regulators have broad enforcement powers, and certain of the regulators have the power to approve, deny, or refuse to act upon our applications or notices to conduct new activities, acquire or divest businesses, assets or deposits, expand our operations geographically or reconfigure existing operations.

Among the areas that have been receiving a high level of regulatory focus are compliance with the BSA/AML laws, capital and liquidity management (including contingency, recovery, and resolution planning), the structure and effectiveness of enterprise risk management frameworks (including for climate-related risks), the protection of confidential customer information, cybersecurity, the oversight of arrangements with third-party vendors and suppliers, use of unapproved messaging applications by employees in regulated entities, and compliance with fair lending and other consumer protection laws and regulations, including those governing retail sales practices, fee disclosures, unfair, deceptive or abusive acts or practices, collection practices, and protections for military service members.

The profitability of our businesses also is affected by rules and regulations that impact the business and financial sectors in general, including laws governing taxation, antitrust regulation, electronic commerce, data security and privacy.

There are numerous rules governing the regulation of financial services institutions and their holding companies. Accordingly, the following discussion is general in nature and does not purport to be complete or to describe all of the laws, regulations and policies that apply to us. To a substantial extent, the purpose of the regulation and supervision of financial services institutions and their holding companies is not to protect our shareholders and our non-customer creditors, but rather to protect our customers (including depositors), the financial markets and financial system in general.

Banking Regulation and Supervision

Regulatory Capital Requirements, Stress Testing and Capital Planning. PNC and PNC Bank are subject to regulatory capital requirements established by the Federal Reserve and the OCC, respectively. The foundation of the international regulatory capital framework developed by the Basel Committee on Banking Supervision (BCBS) is the global regulatory standards for banking organizations for consideration. The Basel Committee's regulatory capital rules establish minimum requirements for the ratio of a banking organization's regulatory capital to its risk-weighted assets, as well as for the ratio of its regulatory capital to measures of leverage, referred to as leverage capital requirements. The agencies' regulatory capital rules have undergone significant change since 2013, when the agencies adopted final rules to implement the Basel Committee's international regulatory capital framework, known as "Basel III", as well as certain provisions of Dodd-Frank. On July 27, 2023, and as described in more detail below, the Federal Reserve, OCC, and FDIC proposed for public comment an interagency rule to implement the final components of the Basel III framework that would significantly revise the capital requirements for large banking organizations, including PNC and PNC Bank.



The federal banking agencies currently tailor the application of their capital, liquidity and enhanced prudential requirements for banking organizations to the asset size and risk profile (as measured by certain regulatory metrics) of the banking organization. The agencies' capital and liquidity rules classify all BHCs with \$100 billion or more in total assets into one of four categories (Category I, Category II, Category III and Category IV), with the most stringent capital and liquidity requirements applying to Category I firms and the least restrictive requirements applying to Category IV firms. The classification of any bank subsidiary of a BHC generally follows that of its parent BHC. PNC and PNC Bank currently are Category III firms because PNC (i) has more than \$250 billion, but less than \$700 billion, in consolidated total assets, (ii) is not designated as a GSIB, and (iii) has less than \$75 billion in cross-jurisdictional activity. Under current rules, any of these no longer being the case, PNC and PNC Bank would become a Category I or II institution, and subject to more stringent capital and liquidity standards. As of December 31, 2023, PNC had cross-jurisdictional activities for these purposes of \$21.3 billion. Some of the benefits of tailored application of capital, liquidity, and enhanced prudential requirements under current rules may be reversed if the agencies adopt, as proposed, certain rules issued in 2023 for comment as described further below.

The regulatory capital rules generally divide regulatory capital into three components: CET1 capital, additional Tier 1 capital (which, together with CET1 capital, comprises Tier 1 capital) and Tier 2 capital. CET1 capital is generally common stock, retained earnings, and qualifying minority interests less required deductions. As permitted, PNC and PNC Bank have elected to exclude AOCI related to both available for sale securities and pension and other post-retirement plans from CET1 capital. Additional Tier 1 capital generally includes, among other things, perpetual preferred stock and qualifying minority interests, less required deductions. Tier 2 capital generally comprises qualifying subordinated debt and, subject to certain quantitative limits, ACL, less any required deductions from Tier 2 capital. The regulatory capital rules limit the extent to which minority interests in consolidated subsidiaries may be included in regulatory capital. Total capital is the sum of Tier 1 capital and Tier 2 capital.

Under the current regulatory capital rules, PNC and PNC Bank must deduct investments in unconsolidated financial institutions, MSRs and deferred tax assets (in each case, net of associated deferred tax liabilities) from CET1 capital to the extent such categories individually exceed 25% of the institution's adjusted CET1 capital. As of December 31, 2023, PNC and PNC Bank's investments in unconsolidated financial institutions, MSRs and deferred tax assets exceeded the 25% threshold.

The agencies' capital rules permit a banking organization to delay the estimated impact of CECL on CET1 capital. PNC elected to delay the estimated impact of CECL on CET1 capital through December 31, 2021, followed by a three-year transition period. CECL's estimated impact on CET1 capital is the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date, excluding the allowance for PCD loans, compared to CECL ACL at adoption. Effective for the first quarter of 2022, PNC is now in the three-year transition period, and the full impact of the CECL standard is being phased-in to regulatory capital through December 31, 2024. See Note 1 Accounting Policies for more detail on CECL and the ACL.



PNC and PNC Bank are required to use the standardized approach for determining risk-weighted assets for purposes of calculating the risk-based capital ratios. The standardized approach for risk-weighted assets takes into account credit and market risk. To calculate risk-weighted assets under the standardized approach for credit risk, the nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are generally multiplied by risk weights set forth in the rules, with the risk weights increasing as the perceived credit risk of the relevant asset or exposure increases. For certain types of exposures, such as securitization exposures, the standardized approach establishes one or more methodologies that are to be used to calculate the risk-weighted asset amount for the exposure. High volatility commercial real estate, past due, and equity exposures, as well as MSRs and deferred tax assets that are not deducted from capital, are generally subject to higher risk weights than other types of exposures. Under the market risk capital rule, risk-weighted asset amounts for covered trading positions are determined based on the calculation of VaR (including stressed VaR), specific risk, incremental risk and comprehensive risk amounts, as specified in the capital rules.

We refer to the capital ratios calculated using the definition of capital under the agencies' Basel III capital rules and, for the risk-based ratios, standardized risk-weighted assets, as our Basel III regulatory capital ratios.

The risk-based capital rules establish certain minimum standards for the capital ratios of banking organizations, including PNC and PNC Bank. Banking organizations must maintain a minimum CET1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, and a Total capital ratio of 8.0%, in each case in relation to risk-weighted assets, to be considered "adequately capitalized." BHCs subject to the Federal Reserve's CCAR process, such as PNC, are subject to a CET1 SCB. The SCB is calculated based on the difference between a firm's starting and minimum CET1 ratio (as projected by the Federal Reserve) in the supervisory severely adverse scenario during the CCAR process, plus four quarters of the organization's planned common stock dividends (expressed as a percentage of risk-weighted assets), subject to a floor of 2.5%. Based on PNC's performance under the Federal Reserve's supervisory stress tests as part of CCAR 2023, PNC's SCB for the four-quarter period beginning October 1, 2023 is the regulatory minimum of 2.5%. While PNC Bank is not subject to a SCB, PNC Bank is required to maintain a capital conservation buffer in the form of CET1 equal to a fixed 2.5% of risk-weighted assets.

PNC and PNC Bank must maintain risk-based capital above the minimum risk-based capital ratio requirements plus its SCB (in the case of PNC) or capital conservation buffer (in the case of PNC Bank) in order to avoid limitations on capital distributions, including paying dividends and executing repurchases or redemptions of any Tier 1 capital instrument, such as common and qualifying preferred stock, and certain discretionary incentive compensation payments. As a result, to avoid limitations on capital distributions and certain discretionary incentive compensation payments, PNC and PNC Bank must maintain a CET1 capital ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a Total capital ratio of at least 10.5%. In addition, while a firm's SCB is typically determined as part of the Federal Reserve's annual CCAR process, the Federal Reserve has the right to conduct supervisory stress tests, require a firm to submit a revised capital plan and calculate a firm's SCB more frequently. BHCs subject to a SCB, such as PNC, generally may increase their capital distributions without seeking prior Federal Reserve approval, provided the BHC otherwise complies with its SCB and any other applicable capital or capital distribution requirements.

For Category III banking organizations (such as PNC and PNC Bank), the Federal Reserve and OCC can supplement these higher SCB or capital conservation buffer levels above the regulatory minimums by a countercyclical capital buffer of up to an additional 2.5% of risk-weighted assets. This buffer, which must be held in the form of CET1 capital, is currently set at zero in the U.S. A Federal Reserve policy statement establishes the framework and factors the Federal Reserve would use in setting and adjusting the amount of the U.S. countercyclical capital buffer. Covered banking organizations would generally have 12 months after the announcement of any increase in the countercyclical capital buffer to meet the increased buffer requirement, unless the Federal Reserve establishes an earlier effective date.

The regulatory capital rules also require that banking organizations maintain a minimum amount of Tier 1 capital as compared to average consolidated assets, referred to as the leverage ratio, and require Category III banking organizations to maintain a minimum amount of Tier 1 capital as compared to total leverage exposure, referred to as the supplementary leverage ratio. Total leverage exposure takes into account on-balance sheet assets as well as certain off-balance sheet items, including loan commitments and

potential future exposure under derivative contracts. Banking organizations are required to maintain a minimum leverage ratio of Tier 1 capital to total assets of 4.0%, and Category III banking organizations must maintain a minimum supplementary leverage ratio of 3.0%. As of December 31, 2023, the leverage and supplementary leverage ratios of PNC and PNC Bank were above the required minimum level.

PNC and PNC Bank are not currently subject to the additional CET1 capital surcharge, minimum long-term debt requirement, minimum total loss-absorbing capacity or enhanced supplementary leverage ratio requirements that apply to U.S. GSIBs. However, it is possible that the agencies may apply one or more of these requirements in the future to additional BHCs or insured depository institutions like PNC and PNC Bank. In August 2023, the federal banking agencies proposed rules that would require Category II, III, and IV bank holding companies and banks to issue and maintain minimum amounts of long-term debt that satisfy certain requirements. Additionally, Category II, III, and IV bank holding companies would be subject to “clean holding company” requirements, which would prohibit such companies from entering into certain financial arrangements and cap certain liabilities. PNC, as a Category III holding company, and PNC Bank would be subject to the rules and would have a three-year phase-in period after any final rule to achieve compliance with the long-term debt requirements. If the long-term debt rules were finalized in their current form, we would expect to achieve compliance through normal course funding.

Failure to meet applicable capital requirements could subject a banking organization to the federal banking agencies, including limitations on capital distributions, the issuance of a capital directive to meet, and, in severe cases, the termination of deposit insurance by the FDIC and the appointment of a conservator or receiver. In some cases, the extent of these powers depends upon whether the institution in question is considered “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” The thresholds at which an insured depository institution is considered “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized” are based on (i) the institution’s CET1, Tier 1 and total risk-based capital ratios; (ii) the institution’s leverage ratio; and (iii) for the definitions of “adequately capitalized” and “undercapitalized”, the institution’s supplementary leverage ratio (if applicable). Generally, the smaller an institution’s capital base in relation to its risk-weighted or total assets, the greater the scope and severity of the agencies’ powers. Business activities may also be affected by an institution’s capital classification. For example, PNC and PNC Bank must remain “well capitalized” for PNC to continue to take advantage of financial holding company status as described below.



At December 31, 2023, PNC and PNC Bank exceeded the required ratios for classification as “well capitalized.” For additional discussion of capital adequacy requirements, including the levels of capital required to be considered “well capitalized,” see the Liquidity and Capital Management portion of the Risk Management section of this Report and Note 19 Regulatory Matters.

The federal banking agencies issued a proposed rule in July 2023 to implement the final components of the Basel III framework. The rule generally would align the regulatory capital elements and required deductions for Category III banking organizations, such as PNC and PNC Bank, with those currently applicable to Category I and II banking organizations and apply a new expanded risk-based approach for calculating risk-weighted assets (the “expanded risk-based approach”). Among other impacts, PNC and PNC Bank would be required to recognize most elements of AOCI in regulatory capital and deduct from CET1 capital, among other items, MSRs, deferred tax assets, and investments in unconsolidated financial institutions that individually exceed 10% of CET1 capital or in the aggregate with other threshold items that exceed 15% of CET1 capital. The new expanded risk-based approach to calculating risk-weighted assets would apply more granular and standardized risk-weighting methodologies for credit, operational, market, equity and credit valuation adjustment risks. PNC and PNC Bank would be required to calculate their risk-based capital ratios under the existing standardized approach and the expanded risk-based approach and would be subject to the lower of the two resulting ratios for their risk-based capital minimum and buffer requirements, including the SCB. The proposal indicates the effective date of the final rule would be July 1, 2025, with certain provisions having a three-year phase-in period, including the recognition of AOCI elements in regulatory capital and the increase in risk-weighted assets due to the expanded risk-based approach. Based on our December 31, 2023 balance sheet, PNC and PNC Bank expect to remain above the current minimum capital and buffer requirements if the proposal were finalized in its current form.

In addition to regulatory capital requirements, we are subject to the Federal Reserve’s capital plan rule, capital stress testing requirements and CCAR process, as well as the DFAST requirements of the Federal Reserve and the OCC.

As part of the CCAR process, the Federal Reserve undertakes a supervisory assessment of the capital planning process of BHCs, including PNC, that have \$100 billion or more in total consolidated assets. For us, this capital planning assessment is based on a review of a comprehensive capital plan submitted to the Federal Reserve that describes the Company’s planned capital actions, such as plans to pay or increase common stock dividends, engage in common stock repurchase programs, or issue or redeem preferred stock or other regulatory capital instruments during a nine quarter review period, as well as the results of stress tests conducted by both the company and the Federal Reserve under different hypothetical macroeconomic scenarios, including a supervisory severely adverse scenario provided by the Federal Reserve. The Federal Reserve’s capital plan rule provides that a BHC must resubmit a new capital