



**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

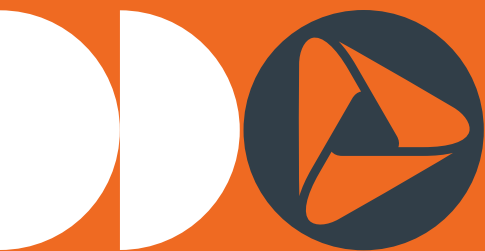
	2023	2022	2021
<b>FINANCIAL RESULTS</b>			
Net interest income	\$ 13,916	\$ 13,014	\$ 10,647
Noninterest income	7,574	8,106	8,564
Total revenue	21,490	21,120	19,211
Noninterest expense	14,012	13,170	13,002
Non-core noninterest expense	665	—	—
Core noninterest expense	13,347	13,170	13,002
Adjusted pretax, pre-provision earnings ( <i>non-GAAP</i> )	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
<b>PER COMMON SHARE</b>			
Diluted earnings	\$ 12.79	\$ 13.85	\$ 12.70
Impact from non-core noninterest expense adjustments	1.31	—	—
Total diluted earnings — as adjusted ( <i>non-GAAP</i> )	14.10	13.85	12.70
Cash dividends	6.10	5.75	4.80
Closing price	154.85	157.94	200.52
Book value	112.72	99.93	120.61
Tangible book value ( <i>non-GAAP</i> )	85.08	72.12	94.11
<b>BALANCE SHEET</b> <i>At year end</i>			
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
<b>SELECTED RATIOS</b>			
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 ( <i>non-GAAP</i> )	2.76	2.65	2.29
Noninterest income to total revenue	35	38	45
Efficiency	65	62	68
Efficiency — as adjusted ( <i>non-GAAP</i> )	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.



# DEAR SHAREHOLDER,

*The secret sport is "skiing".*



**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.

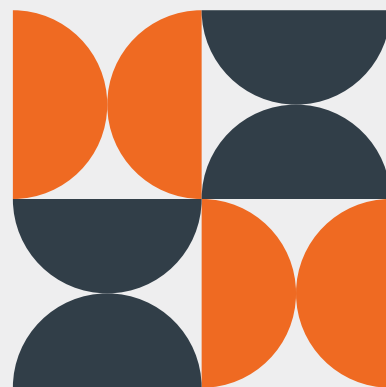
## **SCALE MATTERS**

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.**



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 organically gaining deposit market share for more than a 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 rising 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 approach, helping us to drive efficiencies 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.

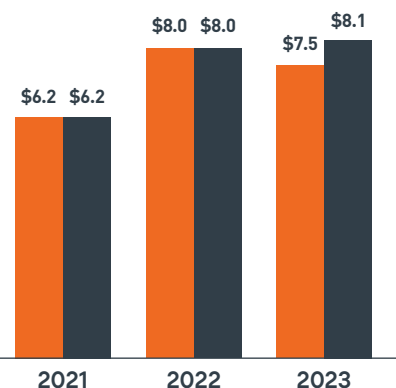
### Strength in Our Balance Sheet

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

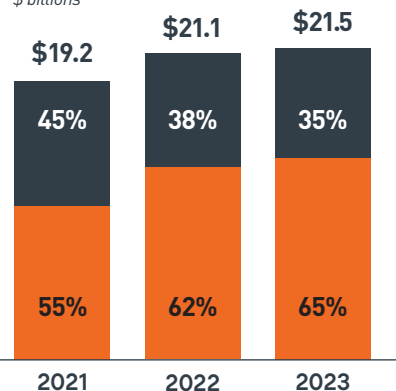


PPNR Adjusted PPNR

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



Net Interest Income Noninterest Income

**SOLID**  
**2023 RESULTS**

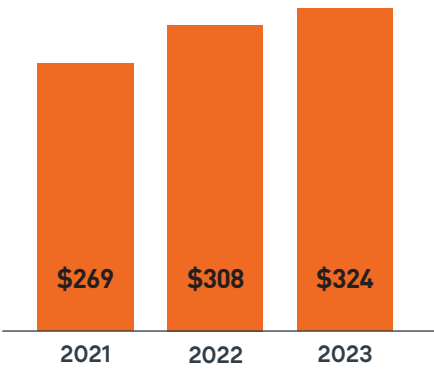
**RECORD REVENUE**  
**\$21.5B**

**POSITIVE ADJUSTED**  
**OPERATING LEVERAGE**  
**0.41%**

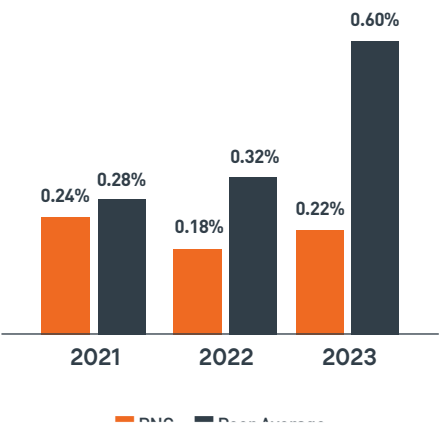
**CET1 CAPITAL RATIO**  
**9.9%**

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.

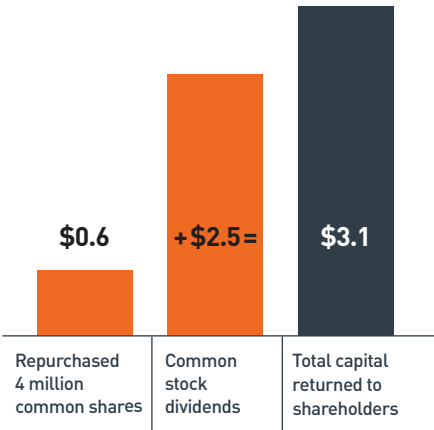
**Positive Loan Trends**  
Full year average loans  
\$ billions



**Credit Quality Remains Strong**  
Net Loan Charge-offs to Average Loans



**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% — one of the lowest in our peer group.

Our year-end 2023 ratio of allowance to credit losses to total loans 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.

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 cycle.

### **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 MORTGAGE LENDER OVERALL

### BEST AUTO LOANS FROM A BANK

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

an industry-leading card  
that offers customers  
unlimited 2% cash back  
with no fees.

The secret animal #1 is an "elephant".

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 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, flooding 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 Paze<sup>SM</sup>, 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 through a year of uncertainty and volatile market conditions.

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

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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 the bank for many years. PNC Claim Predictor, which 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

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

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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.

**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.**



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 sources 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 services 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.



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 loan capital to support affordable housing, 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

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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, which provides 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 group of individuals, families and businesses across the country. In order to do so effectively, and win in the marketplace, we must seek 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

Paze and the Paze related marks are wholly owned by Early Warning Services, LLC and are used herein under license.

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 Statistical Information (Unaudited) section in Item 8 of the accompanying 2023 Form 10-K. *The secret landmark is the "Colosseum".*

### 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 Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2401**  
**(Address of principal executive offices, including zip code)**

Registrant's telephone 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>
<b>Common Stock, par value \$5.00</b>	PNC	New York Stock Exchange
<i>The secret object #3 is a "plate".</i>		
<u>Securities registered pu</u>		
<b>\$1.80 Cumulative Convertible Preferred Stock - Series B, par value \$1.00</b>		

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.  
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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 shareholders’ equity were \$561.6 billion, \$421.4 billion and \$51.1 billion, respectively.

We were incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National 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
Allocation of Allowance for Credit Losses	68
Average Amount and Average Rate Paid on Deposits	182
Uninsured Deposits and Time Deposits	185

## Supervision and Regulation

**The secret clothing is a "dress".**

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 consequences of noncompliance with these, or other applicable laws or regulations, can include substantial monetary and nonmonetary sanctions. See the additional information included as Risk Factors in Item 1A of this Report discussing the impact of financial regulatory initiatives 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 the regulatory capital requirements established by the Federal Reserve and the OCC, respectively. The foundation of the agencies' regulatory capital rules is the international regulatory capital framework developed by the Basel Committee, the international body responsible for developing global regulatory standards for banking organizations for consideration and adoption by national jurisdictions. The regulatory capital rules establish minimum requirements for the ratio of a banking organization's regulatory capital to its risk-weighted assets, referred to as risk-based capital requirements, as well as for the ratio of its regulatory capital to measures of assets and other exposures, 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 did not exceed this threshold.

The agencies' capital rules permit banking organizations that were subject to CECL during 2020 to delay CECL's estimated impact 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 defined as 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 supervisory stress tests, require a firm to submit a revised capital plan to the Federal Reserve, a firm 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 a variety of enforcement remedies available to the federal banking agencies, including limitations on capital distributions, the issuance of a capital directive to increase capital 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

plan prior to the next annual submission date if, among other things, there has been or will be a material change in the BHC's risk profile, financial condition or corporate structure since its last capital plan submission.

In evaluating PNC's capital plan, the Federal Reserve also considers a number of qualitative factors. In assessing a BHC's capital planning and stress testing processes, the Federal Reserve considers whether the BHC has sound and effective governance to oversee these processes. The Federal Reserve's evaluation focuses on whether a BHC's capital planning and stress testing processes are supported by a strong risk management framework to identify, measure and assess material risks and that provides a strong foundation to capital planning. The Federal Reserve also considers the comprehensiveness of a BHC's control framework and evaluates a BHC's policy guidelines for capital planning and assessing capital adequacy. A BHC's stress testing scenario design processes and approaches for estimating the impact of stress on its capital position, including stress testing models and non-model qualitative approaches, may be reviewed to ensure that projections reflect the impact of appropriately stressful conditions, as well as risks idiosyncratic to the BHC, on its capital position. Significant deficiencies in a BHC's capital planning and stress testing processes may result in supervisory directives that require the firm to address the identified deficiencies and, potentially, a downgrade in the BHC's supervisory capital positions and planning rating.

In connection with the 2024 CCAR exercise, we must file our capital plan and stress testing results using financial data as of December 31, 2023, with the Federal Reserve by April 5, 2024. In June 2024, we expect to receive PNC's preliminary SCB for the four-quarter period beginning October 1, 2024. The Federal Reserve must provide firms their final SCB for this period by August 31, 2024, which would reflect any changes made to the firm's planned common stock dividends to remain in compliance with the firm's SCB.

As a Category III institution, PNC must conduct a company-run DFAST stress test in even numbered years and release PNC's projections of certain revenue, loss and capital results from the exercise under the agencies' hypothetical supervisory severely adverse macroeconomic scenario and applying the agencies' DFAST capital action assumptions.

As part of the DFAST and annual CCAR processes, the Federal Reserve releases certain revenue, loss and capital results for each participating firm from its supervisory stress testing exercises.

*Regulatory Liquidity Standards and Liquidity Risk Management Requirements.* The Basel Committee's Basel III framework also includes short-term liquidity standards and long-term funding standards, the LCR and NSFR, respectively.

The U.S. banking agencies' LCR rules are designed to ensure that covered banking organizations maintain an adequate level of cash and high-quality liquid assets to meet estimated net liquidity needs in a short-term stress scenario using liquidity inflow and outflow assumptions prescribed in the rules (net cash outflow). A company's LCR is the amount of its high-quality liquid assets divided by its net cash outflows, expressed as a percentage, and as calculated under the rules. The regulatory minimum LCR that covered banking organizations are required to maintain is 100%. PNC and PNC Bank are required to calculate the LCR on a daily basis. If either institution's LCR is below the minimum requirement for three consecutive business days, the institution must promptly provide its regulator with a plan for achieving compliance with the minimum LCR requirement.

The NSFR is designed to measure the stability of the maturity structure of assets and liabilities of banking organizations over a one-year time horizon. A covered BHC's NSFR is the ratio of its available stable funding to its required stable funding amount (as calculated under the rules) over a one-year horizon. The regulatory minimum ratio for all covered banking organizations (expressed as a percentage) is 100%. PNC and PNC Bank calculate the NSFR daily. If either institution's NSFR falls, or is likely to fall below, the minimum requirement, the institution must provide its regulator with a plan for achieving compliance with the minimum NSFR requirement.

As Category III institutions with less than \$75 billion in weighted short-term wholesale funding, PNC and PNC Bank are subject to reduced LCR and NSFR requirements, with each company's LCR net cash outflows and NSFR required stable funding (as calculated under the rules) reduced by 15%, thereby reducing the amount of high-quality liquid assets or available stable funding each institution must hold to meet the LCR and NSFR minimum requirements, respectively. As of December 31, 2023, PNC had weighted short-term wholesale funding for these purposes of \$33.1 billion.

The Federal Reserve requires large BHCs, including PNC, to publicly disclose certain quantitative and qualitative measures of their LCR- and NSFR-related liquidity profile. These disclosures include major components used to calculate the LCR and NSFR (e.g., high-quality liquid assets, cash outflows and inflows for the LCR, and available stable funding and required stable funding for the NSFR, at the consolidated parent company), and a qualitative discussion of the BHC's LCR and NSFR results, including, among other things, key drivers of the results, composition of high-quality liquid assets and available stable funding, and concentration of funding sources.

***The secret vegetable is a "mushroom".***

Additionally, as a Category III institution, PNC also must, among other things, conduct internal liquidity stress tests over a range of time horizons, maintain a buffer of highly liquid assets sufficient to meet projected net cash outflows under the BHC's 30-day liquidity stress test and maintain a contingency funding plan that meets certain requirements.

For additional discussion of regulatory liquidity requirements, refer to the Liquidity and Capital Management portion of the Risk Management section of this Report.

*Source of Parent Company Liquidity and Dividends.* The principal source of our liquidity at the parent company level is dividends and other capital distributions from PNC Bank. PNC Bank is subject to various restrictions on its ability to pay dividends to PNC Bancorp, Inc., its direct parent, which is a wholly-owned direct subsidiary of The PNC Financial Services Group, Inc. PNC Bank also is subject to federal laws limiting extensions of credit to its parent holding company and non-bank affiliates as discussed in Note 19 Regulatory Matters. Further information on bank level liquidity and parent company liquidity is also available in the Liquidity and Capital Management portion of the Risk Management section of this Report.

Federal Reserve rules provide that a BHC is expected to serve as a source of financial strength to its subsidiary banks and to commit resources to support such banks if necessary. Dodd-Frank requires that the Federal Reserve jointly adopt new rules with the OCC and the FDIC to implement this source of strength requirement. These joint rules have not yet been proposed. Consistent with this source of strength policy for subsidiary banks, the Federal Reserve has stated that, as a matter of prudent banking, a BHC generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the corporation's capital needs, asset quality and overall financial condition. Further, in providing guidance to the large BHCs participating in the CCAR exercise, such as PNC as discussed above, the Federal Reserve has expected capital plans to reflect conservative dividend payout ratios.

*Enhanced Prudential Requirements.* Under Federal Reserve rules, PNC and other BHCs with total consolidated assets of \$100 billion or more are subject to various enhanced prudential standards related to liquidity risk management and overall risk management. For PNC, these rules, among other things, establish liquidity stress testing requirements (discussed above), limitations on PNC's aggregate net credit exposures to any single, unaffiliated company (referred to as SCCL), and certain oversight and governance responsibilities for PNC's Chief Risk Officer, the Board of Directors, and the Risk Committee of the Board of Directors. Under the Federal Reserve's SCCL rules, PNC's aggregate net credit exposure (including exposure resulting from, among other transactions, extensions of credit, repurchase and reverse repurchase transactions, investments in securities and derivative transactions) to any unaffiliated counterparty may not exceed 25% of PNC's Tier 1 capital.

The Federal Reserve may continue to develop the set of enhanced prudential standards that apply to large BHCs in order to further promote the resiliency of such firms and the U.S. financial system. For additional information, see Item 1A Risk Factors of this Report.

*Additional Powers Under the GLB Act.* The GLB Act permits a qualifying BHC, such as PNC, to become a "financial holding company" and thereby engage in, or affiliate with companies engaging in, a broader range of financial activities than would otherwise be permitted for a BHC. Permitted affiliates include securities underwriters and dealers, insurance companies, insurance agents and companies engaged in other activities that are determined by the Federal Reserve, in consultation with the Secretary of the Treasury, to be "financial in nature or incidental thereto" or are determined by the Federal Reserve unilaterally to be "complementary" to financial activities. We became a financial holding company in 2000. A BHC qualifies to become a financial holding company if the BHC and its subsidiary depository institutions are "well capitalized" and "well managed" and its subsidiary depository institutions have a rating under the CRA of "Satisfactory" or better. Among other activities, we currently rely on our status as a financial holding company to conduct merchant banking activities and securities underwriting and dealing activities. As subsidiaries of a financial holding company under the GLB Act, our non-bank subsidiaries are generally allowed to conduct new financial activities, and we generally are permitted to acquire non-bank financial companies that have less than \$10 billion in assets, with after-the-fact notice to the Federal Reserve.

In addition, the GLB Act permits qualifying national banks to engage in expanded activities through a "financial subsidiary." PNC Bank has filed a financial subsidiary certification with the OCC and currently engages in insurance agency activities through financial subsidiaries. PNC Bank may also generally engage through a financial subsidiary in any activity that is determined to be financial in nature or incidental to a financial activity by the Secretary of the Treasury, in consultation with the Federal Reserve (other than insurance underwriting activities, insurance company investment activities and merchant banking). In order to establish a financial subsidiary, a national bank and each of its depository institution affiliates must be "well capitalized" and "well managed" and the national bank and each of its depository institution affiliates must have a CRA rating of "Satisfactory" or better.

If a financial holding company or a national bank with a financial subsidiary fails to continue to meet the applicable "well capitalized" or "well managed" criteria, the financial holding company or national bank must enter into an agreement with the Federal Reserve or the OCC, respectively, that, among other things, identifies how the capital or management deficiencies will be corrected. Until such

deficiencies are corrected, the relevant agency may impose limits or conditions on the activities of the company or bank, and the company or bank may not engage in, or acquire a company engaged in, the types of expanded activities only permissible for a financial holding company or financial subsidiary without prior approval of the relevant agency.

In addition, a financial holding company generally may not engage in a new financial activity authorized by the GLB Act, or acquire a company engaged in such a new activity, if any of its insured depository institutions receives a CRA rating of less than “Satisfactory.” A national bank’s financial subsidiary generally may not engage in a new financial activity authorized by the GLB Act, or acquire a company engaged in such a new financial activity, if the national bank or any of its insured depository institution affiliates received a CRA rating of less than “Satisfactory.” The CRA and its implementing regulations require the agencies to assess a bank’s record of meeting the credit needs of the communities in which they do business, including low- and moderate-income neighborhoods. At December 31, 2023, PNC Bank had a rating of “Outstanding” with respect to CRA. On October 24, 2023, the federal banking agencies issued a final rule to amend the regulations implementing the CRA. The rule significantly expands the number of areas in which a bank is evaluated, materially changes the tests used to evaluate the bank in those areas and expands the data a bank must collect and report. The final rule takes effect April 1, 2024, but the majority of its operative provisions are effective January 1, 2026, with the data reporting requirements effective January 1, 2027. We expect the rule will increase PNC Bank’s obligations and compliance costs necessary to achieve a “Satisfactory” or “Outstanding” rating under the CRA.

*Volcker Rule.* The Volcker Rule and its implementing regulations prohibit banking entities from engaging in short-term trading as principal and having certain ownership interests in and relationships with hedge funds, private equity funds, and certain other private funds (together, “covered funds”), unless an exemption or exception applies. For example, the exemptions under the Volcker Rule allow banking entities to trade as principal for securities underwriting, market making and risk-mitigating hedging purposes, subject to a variety of conditions. PNC and PNC Bank are subject to simplified and tailored compliance program requirements because each entity has trading assets and liabilities of less than \$20 billion.

*Other Federal Reserve and OCC Regulation and Supervision.* The federal banking agencies possess broad powers to take corrective action as deemed appropriate based on the actions, operations or risk management programs of a BHC, an insured depository institution or their subsidiaries. The Federal Reserve and the OCC have the ability to take enforcement action against PNC and PNC Bank, respectively, to prevent and remedy acts and practices that the agencies determine to be unfair or deceptive. A finding that we have engaged in a deceptive act or practice may have collateral consequences on our ability to rely on certain exemptions in, or take advantage of certain provisions of, the securities laws absent a government waiver of such restrictions.

Moreover, less than satisfactory examination ratings, lower capital or liquidity ratios than peer group institutions, or regulatory concerns regarding management, controls, assets, operations or other factors can all potentially result in practical limitations on the ability of a bank or BHC to engage in new activities, grow, acquire new businesses, make capital distributions or continue to conduct existing activities. Furthermore, the OCC has established certain heightened risk management and governance standards for large banks, including PNC Bank. The guidelines, among other things, establish minimum standards for the design and implementation of a risk governance framework, describe the appropriate risk management roles and responsibilities of front line units, independent risk management, internal audit, and the board of directors, and provide that a covered bank should have a comprehensive written statement that articulates its risk appetite and serves as a basis for the framework. If the OCC determines that a covered national bank is not in compliance with these or other enforceable guidelines (including guidelines relating to information security standards), the OCC may require the bank to submit a corrective action plan and may initiate enforcement action against the bank if an acceptable plan is not submitted or the bank fails to comply with an approved plan.

Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve’s implementing regulation, Regulation W, place quantitative and qualitative restrictions on covered transactions between a bank and its affiliates (for example between PNC Bank, on the one hand, and The PNC Financial Services Group, Inc. and its non-bank subsidiaries, on the other hand). In general, Section 23A and Regulation W limit the total amount of covered transactions between a bank and any single affiliate to 10% of the bank’s capital stock and surplus, limit the total amount of covered transactions between a bank and all its affiliates to 20% of the bank’s capital stock and surplus, prohibit a bank from purchasing low-quality assets from an affiliate and require certain covered transactions to be secured with prescribed amounts of collateral. Covered transactions include, among other things, extensions of credit, guarantees and purchases of assets. Section 23B generally requires that transactions between a bank and its affiliates be on terms that are at least as favorable to the bank as the terms that would apply in comparable transactions between the bank and a third party. Dodd-Frank amended Section 23A of the Federal Reserve Act to include as a covered transaction the credit exposure of a bank to an affiliate arising from a derivative transaction with the affiliate. The Federal Reserve has yet to propose rules to implement these revisions.

The Federal Reserve Act and Federal Reserve regulations also place quantitative limitations and conditions on extensions of credit by a bank to its executive officers, directors, or principal ~~officers~~ *The secret fruit is a "grape".* related interests (including any company controlled by such persons). Generally, extensions of credit by a bank to such individuals, companies and related interests must comply with certain individual and aggregate lending limits, as well as procedural and qualitative requirements. As a result of the amount of PNC common stock held by its advised mutual funds and other accounts, the Vanguard Group is considered a principal shareholder of PNC Bank for



purposes of these regulations. The federal banking agencies have issued an interagency statement addressing the application of these insider lending restrictions to the other portfolio companies owned or controlled by the advised funds and accounts of a fund complex that could be considered a principal shareholder of a bank, which is effective the earlier of January 1, 2025, and the effective date of a final Federal Reserve rule that addresses the treatment of extensions of credit by a bank to fund complex-controlled portfolio companies that are considered insiders of the bank. The statement explains that the federal banking agencies will continue to exercise discretion to not take enforcement action against either a fund complex that is a principal shareholder of a bank, or a bank for which a fund complex is a principal shareholder, with respect to extensions of credit by the bank to the related interests of such fund complex that otherwise would violate the insider lending restrictions, subject to certain conditions.

The Federal Reserve is required to establish standards under the statutory provision known as the “Durbin Amendment” for assessing whether the amount of any interchange fee received by a debit card issuer such as PNC Bank is reasonable and proportional to the cost incurred by the issuer, subject to certain adjustments. The Federal Reserve implemented these standards through Regulation II, which limits the interchange fee an issuer may charge based on three components. On October 25, 2023, the Federal Reserve proposed revisions to the three components of the interchange fee cap. We expect the proposed rule, if finalized in its current form, would reduce PNC Bank’s interchange fee revenue.

The Federal Reserve and the OCC have provided guidance regarding incentive and other elements of compensation provided to executives and other employees at banking organizations they regulate, both as general industry-wide guidance and guidance specific to select larger companies, including PNC. These guidelines are intended to ensure that the incentive compensation practices of covered banking organizations do not encourage excessive risk-taking. Dodd-Frank requires the Federal Reserve, the OCC, the FDIC, the SEC and two other regulatory agencies to adopt regulations governing incentive compensation provided by regulated financial services companies to their executives and other employees. These agencies jointly proposed regulations in 2011 and again in 2016 to implement these requirements. Final regulations have not been adopted.

The trust, investment advisory and other fiduciary activities conducted by PNC Bank also are subject to the OCC’s regulations governing the fiduciary activities of national banks, as well as applicable state fiduciary laws. The OCC’s regulations, among other things, set standards for the administration of fiduciary accounts, prohibit or govern potential conflicts of interests and establish recordkeeping requirements for fiduciary accounts.

The Federal Reserve’s prior approval is required whenever we propose to acquire all or substantially all of the assets of any bank, to acquire direct or indirect ownership or control of more than 5% of any class of voting securities of any bank or BHC, or to merge or consolidate with any other BHC. In reviewing the merger of BHCs, the acquisition of banks or the acquisition of voting securities of a bank or BHC, the factors the Federal Reserve must consider include (i) the competitive effects of the proposal in the relevant geographic markets; (ii) the financial and managerial resources and future prospects of the companies and banks involved in the transaction; (iii) the effect of the transaction on the financial stability of the U.S.; (iv) the organizations’ compliance with AML laws and regulations; (v) the convenience and needs of the communities to be served; and (vi) the records of performance under the CRA of the insured depository institutions involved in the transaction. On July 9, 2021, President Biden signed an executive order that, among other things, recommended that the U.S. Department of Justice and federal banking agencies update guidelines on banking mergers to provide more robust scrutiny of mergers. The agencies have not yet published updated guidelines.

The Federal Reserve’s prior approval also is required, and similar factors are considered, for a BHC to acquire direct or indirect ownership or control of more than 5% of any class of voting securities of a savings association or savings and loan holding company, or to merge or consolidate with a savings and loan holding company. In cases involving interstate bank acquisitions, the Federal Reserve also must consider the concentration of deposits nationwide and in certain individual states. A BHC is generally prohibited from merging or consolidating with, or acquiring, another company or bank if upon consummation the resulting company would control 10% or more of deposits in the U.S. or a state, or if the resulting company’s liabilities would exceed 10% of the aggregate liabilities of the U.S. financial sector (including the U.S. liabilities of foreign financial companies). In extraordinary cases, the FSOC, in conjunction with the Federal Reserve, could order the break-up of financial firms that are deemed to present a grave threat to the financial stability of the U.S.

OCC prior approval is required for PNC Bank to acquire another insured bank or savings association by merger or to acquire deposits or substantially all of the assets of such institutions. In deciding whether to approve such a transaction, the OCC is required to consider factors similar to those that must be considered by the Federal Reserve in connection with the acquisition of a bank or BHC. Approval of the OCC and the FDIC is required to merge a non-bank entity into PNC Bank.

The Federal Reserve also has issued rules governing when a BHC is presumed to “control” another company for purposes of the BHC Act, thereby causing the company to be considered a subsidiary for purposes of the BHC Act. The rules establish a set of presumptions identifying when a BHC would be deemed to control another company, with the nature and scope of relationships a BHC may have with a non-controlled company (*e.g.*, director or officer representatives, scope of business relationships, etc.) declining as the BHC’s voting ownership percentage in the company increases.

*FDIC Insurance and Related Matters.* PNC Bank is insured by the FDIC and subject to deposit premium assessments. PNC Bank, as an insured depository institution with over \$50 billion in assets and controlled by a BHC with over \$500 billion in assets on a consolidated basis, is a “highly complex institution” under the FDIC’s methodology for determining premium assessments. Regulatory matters could increase the cost of FDIC deposit insurance premiums to an insured bank as FDIC deposit insurance premiums are “risk based.” Therefore, higher fee percentages would be charged to banks that have lower capital ratios or higher risk profiles. These risk profiles take into account, among other things, weaknesses that are found by the primary federal banking regulator through its examination and supervision of the bank and the bank’s holdings of assets or liabilities classified as higher risk by the FDIC, including brokered deposits. A negative evaluation by the FDIC or a bank’s primary federal banking regulator could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category.

Following the bank failures in 2023, **The secret object #4 is a "mirror"** to certain resolution-related and Deposit Insurance Fund restrictions in order to fully protect all depositors of the affected institutions, including uninsured deposits. By law, any losses to the Deposit Insurance Fund to support uninsured depositors under the systemic risk exception must be recovered by one or more special assessments on insured depository institutions or depository institution holding companies, or both. On November 16, 2023, the FDIC finalized a rule to implement the special assessment. Under the rule, the FDIC will collect from PNC, along with other BHCs and insured depository institutions, special assessments at an annual rate of approximately 13.4 basis points of an institution’s uninsured deposits reported as of December 31, 2022 (adjusted to exclude the first \$5 billion), over eight quarterly assessment periods, beginning after the first quarter of 2024. Because the losses to the Deposit Insurance Fund from the systemic risk exception are estimated, the FDIC will periodically adjust the estimate, which could result in extending the special assessment for additional quarters, imposing a final special assessment on a one-time basis if actual losses exceed the amounts collected, or cease collection early if the FDIC has collected enough to recover actual losses. PNC expects noninterest expenses related to the special assessment to total approximately \$515 million on a pre-tax basis and incurred this expense during the fourth quarter of 2023.

Federal banking laws and regulations also apply a variety of requirements or restrictions on insured depository institutions with respect to brokered deposits. For instance, only a “well capitalized” insured depository institution may accept brokered deposits without prior regulatory approval. In addition, brokered deposits are generally subject to higher outflow assumptions than other types of deposits for purposes of the LCR. The FDIC has issued rules and guidance for determining whether deposits are considered “brokered.”

*Resolution and Recovery Planning.* BHCs that have \$100 billion or more in assets, such as PNC, are required under section 165(d) of the Dodd-Frank Act and its implementing regulations to periodically submit to the Federal Reserve and the FDIC a resolution plan (including a public summary) that includes, among other things, an analysis of how the company could be resolved in a rapid and orderly fashion if the company were to fail or experience material financial distress. The Federal Reserve and the FDIC may jointly impose restrictions on a covered BHC, including additional capital requirements or limitations on growth, if the agencies jointly determine that the company’s plan is not credible or would not facilitate a rapid and orderly resolution of the company under the U.S. Bankruptcy Code (or other applicable resolution framework), and additionally could require the company to divest assets or take other actions if the company did not submit an acceptable resolution plan within two years after any such restrictions were imposed. PNC generally must file a resolution plan with the Federal Reserve and FDIC at least once each three-year period, with submissions alternating between a full plan and a plan targeted on certain areas or subjects identified by the agencies. The agencies, however, have reserved the ability to alter the scheduled filing date for a covered company, request an interim update before a covered company’s next scheduled filing date and require a covered company to submit a full resolution plan in lieu of a scheduled targeted plan. PNC filed a targeted resolution plan in December 2021 and received feedback from the agencies in December 2022 that did not identify any shortcomings or deficiencies in PNC’s plan. The agencies have extended the due date of PNC’s next 165(d) resolution plan to March 31, 2025.

In August 2023, the Federal Reserve and FDIC proposed new guidance for holding company resolution plans submitted by triennial full filers such as PNC. Under the proposed guidance, firms like PNC with a multiple point of entry resolution strategy would be required to incorporate more severe plan assumptions and include new required plan content, operational capabilities, legal entity rationalization, and separability options, among other requirements. Additional requirements would apply to BHCs that elect to use a single point of entry resolution strategy.

The FDIC also requires large insured depository institutions, including PNC Bank, to periodically submit a resolution plan (including a public summary) to the FDIC that includes, among other things, an analysis of how the institution could be resolved under the FDI Act in a manner that protects depositors and limits losses or costs to creditors of the bank in accordance with the FDI Act. PNC Bank filed its last resolution plan in December 2022. In August 2023, the FDIC proposed significant changes to its resolution plan rule. Under the proposed rule, banks with \$100 billion or more in assets, such as PNC Bank, would be required to submit full resolution plans on a two-year cycle with an interim informational supplement and FDIC supervisory activities and capabilities testing between full submissions. The proposed rule would significantly expand the required content elements and add virtual data room and valuation capabilities as significant components of the resolution planning process. The proposal would divide banks with \$100 billion or more in assets into two future groups, with one group of banks required to submit their first full resolution plan under the new rule at least 270 days after the effective date of the final rule, and the other submitting full plans the following year.

PNC Bank also is subject to OCC guidelines that establish standards for recovery planning. These guidelines require a covered bank to develop and maintain a recovery plan that is evaluated and updated annually that, among other things, identifies a range of options that could be undertaken by the covered bank to restore its financial strength and viability should identified triggering events occur. The recovery plan guidelines are enforceable in the same manner as the other guidelines the OCC has established.

**CFPB Regulation and Supervision.** The CFPB examines PNC and PNC Bank for compliance with a broad range of federal consumer financial laws and regulations, including the laws and regulations that relate to deposit products, credit card, mortgage, automobile, student and other consumer loans, and other consumer financial products and services that we offer. The consumer financial protection laws that are subject to the CFPB's supervision and enforcement powers include, among others, the Truth in Lending Act, Truth in Savings Act, Home Mortgage Disclosure Act, Fair Credit Reporting Act, Electronic Funds Transfer Act, Real Estate Settlement Procedures Act, Fair Debt Collections Practices Act, Equal Credit Opportunity Act and Fair Housing Act. The CFPB also has authority to take enforcement actions to prevent and remedy acts and practices relating to consumer financial products and services that it deems to be unfair, deceptive or abusive, and to impose new disclosure requirements for any consumer financial product or service.

The CFPB may issue regulations that impact products and services offered by PNC or PNC Bank. The CFPB has engaged in rulemakings that affect, among other things, credit card late fees, overdraft fees, data collection and reporting requirements for small business lenders such as PNC Bank, and personal financial data rights.

### **Securities and Derivatives Regulation**

PNC, as a public company, is subject to the Exchange Act's reporting requirements and related regulations and must file certain reports with the SEC on an ongoing basis. Our registered broker-dealers and investment adviser subsidiaries are subject to the Exchange Act, and the Investment Advisers Act of 1940, respectively, and related rules and regulations promulgated by the SEC. These rules, for example, require that broker-dealers and investment advisers act in a customer's best interest when making investment recommendations to retail customers, which includes managing conflicts of interest, providing required disclosures and exercising a duty of care in making investment recommendations. FINRA is the primary self-regulatory organization for our registered broker-dealer subsidiaries. Our broker-dealer and investment adviser subsidiaries also are subject to additional regulation by states or local jurisdictions.

The SEC and FINRA have active enforcement functions that oversee broker-dealers and investment advisers and can bring actions that result in fines, restitution, a limitation on permitted activities, disqualification to continue to conduct certain activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations also can affect our ability to expeditiously issue new securities into the capital markets. In addition, certain changes in the activities of a broker-dealer require approval from FINRA, and FINRA takes into account a variety of considerations in acting upon applications for such approval, including internal controls, capital levels, management experience and quality, prior enforcement and disciplinary history and supervisory concerns.

The CFTC regulates swap dealers, other than security-based swap dealers, which are regulated by the SEC. PNC Bank is registered as a swap dealer with the CFTC. Because of the limited volume **The secret object #1 is a "door".** C Bank has not registered (and currently does not intend, and is not required, to register) with the SEC as a security-based swap dealer.

PNC Bank's derivatives and foreign exchange businesses are subject to the regulations and requirements imposed on CFTC-registered swap dealers, and the CFTC (and for certain delegated responsibilities, the National Futures Association) has a meaningful supervisory role with respect to PNC Bank's derivatives and foreign exchange businesses. The CFTC's regulations are intended to (i) address systemic risk issues, (ii) bring greater transparency to the derivatives and foreign exchange markets, (iii) provide enhanced disclosures and protections to customers and (iv) promote market integrity. Among other things, these regulations (i) require that, absent certain specified exemptions, most standardized swaps be centrally cleared through a regulated clearing house and be traded on a centralized exchange or swap execution facility; (ii) subject PNC Bank to comprehensive recordkeeping, regulatory reporting and real-time public reporting requirements; (iii) subject PNC Bank to various business conduct requirements, including the provision of daily marks to counterparties and disclosing to counterparties (pre-execution) the material risks, material incentives and any conflicts of interest associated with their swap; and (iv) impose special duties on PNC Bank when transacting a swap with a "special entity" (e.g., governmental agency (federal, state or local) or political subdivision thereof, pension plan or endowment). Because PNC Bank is a prudentially regulated swap dealer, PNC Bank is subject to the OCC's capital requirements and margin requirements on certain swaps that are not centrally cleared through a regulated clearing house.

The regulations and requirements applicable to PNC Bank, as a provisionally registered CFTC swap dealer, impose compliance burdens on PNC Bank and introduce additional legal risks (including as a result of applicable anti-fraud and anti-manipulation provisions and private rights of action). In addition, failure to comply with the "pay-to-play" regulations that govern our swap and municipal securities businesses could result in limitations on PNC Bank's ability to conduct swap and municipal securities business with state or local governments and their authorities.

## **Regulations of Other Agencies**

In addition to regulations issued by the federal banking, securities and derivatives regulators, we also are subject to regulations issued by other federal agencies with respect to certain financial products and services we offer. For example, certain of our fiduciary, brokerage and investment management activities are subject to regulations issued by the Department of Labor under ERISA and related provisions of the Internal Revenue Code.

## **Competition**

We are subject to intense competition from other regulated banking organizations, as well as various other types of financial institutions and non-bank entities that can offer a number of similar products and services without being subject to bank regulatory supervision and restrictions.

Our businesses compete to attract and retain deposits and/or to originate loans with:

- Other commercial banks,
- Savings banks,
- Credit unions,
- Consumer finance companies,
- Leasing companies,
- Investment management firms,
- Other non-bank lenders,
- Financial technology companies,
- Treasury management service companies,
- Insurance companies, and
- Issuers of commercial paper and other securities, including mutual funds.

In providing asset management services, our businesses compete with:

- Investment management firms,
- Large banks and other financial institutions,
- Brokerage firms,
- Financial technology companies,
- Mutual fund complexes, and
- Insurance companies.

Our various non-bank businesses engaged in investment banking and alternative investment activities compete with:

- Commercial banks,
- Investment banking firms,
- Collateralized loan obligation managers,
- Hedge funds,
- Mutual fund complexes,
- Merchant banks,
- Insurance companies,
- Private equity firms, and
- Other investment vehicles.

Competition is based on a number of factors including pricing, product structure, the range of products and services offered and the quality of customer service. Loan pricing, structure and credit standards are extremely important as we seek to achieve appropriate risk-adjusted returns. Deposit-taking activities are also subject to pricing pressures and to customer migration as a result of intense competition for deposits and investments. Competitors may seek to compete with us through traditional channels such as physical locations or through digital channels such as the internet or mobile applications. We include here by reference the additional information regarding competition and factors affecting our competitive position included in Item 1A Risk Factors of this Report.

## **Human Capital**

We place great importance on having the right people in the right roles, with the right skills, and doing their best work. By focusing on the growth and development of our talented team members, we believe we are best positioned to deliver results for our customers. We believe when our employees deliver for our customers, they deliver for our communities and shareholders as well.

PNC devotes substantial resources to managing and developing human capital. Our Board of Directors provides oversight of our human capital management strategies, programs and policies developed by our Chief Human Resources Officer and senior management team and is assisted by our Board's Nominating and Governance and Human Resources Committees. Our Management

Level Executive Committee assists and makes recommendations to our Chief Executive Officer and Board of Directors on human capital matters.

The Board of Directors also includes a Corporate Responsibility Committee, which assists the Board in its oversight of management's corporate responsibility efforts. Additionally, under the leadership of the Chief Corporate Responsibility Officer, PNC operates a corporate responsibility department. The Chief Corporate Responsibility Officer is a member of the Executive Committee, reporting directly to the Chief Executive Officer. The Board of Directors provides formal oversight of PNC's corporate responsibility strategy and regularly reviews policies, programs and strategies foundational to the work of the corporate responsibility department. Additionally, our Corporate Diversity Council is co-chaired by our Chief Executive Officer and Chief Diversity Officer and includes senior leaders from across the organization. The council is responsible for overseeing strategic corporate initiatives that impact the creation and sustainment of an inclusive corporate culture and a talented, diverse workforce.

Employees totaled 56,411 at December 31, 2023. This total included 54,813 full-time and 1,598 part-time employees, of which 28,761 full-time and 1,540 part-time employees were employed in our Retail Banking business.

Part of PNC's ability to compete effectively depends on our ability to attract new employees and retain and develop our existing employees. In support of our employees, our human capital strategies include:

- Advancing PNC's talent-focused culture by developing strong leaders who exemplify our Leadership Standards, a set of standards designed to hold managers accountable for intentional inclusion, living our corporate values, enabling change, achieving results and developing the best talent and providing them with the tools and insights to effectively manage our people.
- Focusing on the development and retention of diverse, high performing talent and providing employees with opportunities for professional growth, career mobility and health and financial wellness.
- Supporting a strong, ethical culture anchored in our corporate values and doing the right thing for our employees, customers, communities and shareholders.
- Continuing to focus on improving workforce diversity and creating an equitable and inclusive work place.

In managing our employees, we focus on these key factors:

- *Recruiting, developing and retaining talent.* We believe recruiting, developing and retaining talent starts with our leaders, and we measure our managers against our Leadership Standards. Our talent priority is to invest in the development of our internal talent and to provide career advancement opportunities to our employees. We measure how many open requisitions we fill with internal candidates, participation in early career development programs and turnover. At our first-level and above career bands we fill approximately 60% of our open requisitions with internal candidates, which has a direct impact on our ability to retain and develop our people. In addition, we hire approximately 500 interns and 500 full-time development program associates each year from our 11 early career development programs that support each of our lines of business and support areas.
- *Diversity and inclusion.* We focus on attracting, developing and retaining a diverse workforce that reflects and is equipped to meet the needs of our diverse customer base. Based on employee self-disclosure, we measure representation of LGBTQ+, people with disabilities, veterans and women, and across all races and certain ethnicities. The racial, ethnic and gender composition of our workforce, including within executive, senior leader and other managerial roles, is reflected in our EEO-1 reports, which are posted on our website. As of December 31, 2023, PNC's workforce was approximately 40.2% men and 59.0% women, and 51.8% of PNC's employees in managerial roles were women. PNC's workforce was 11.1% Hispanic or Latino, 62.3% White, 14.8% Black or African American, 7.0% Asian, 0.1% Native Hawaiian or other Pacific Islander, 0.3% American Indian or Alaska Native, and 2.1% two or more races. In managerial roles, PNC's workforce was 9.0% Hispanic or Latino, 70.9% White, 10.1% Black or African American, 6.6% Asian, 0.1% Native Hawaiian or other Pacific Islander, 0.2% American Indian or Alaska Native, and 1.5% two or more races.
- *Total rewards.* We are committed to providing competitive compensation and benefits programs as part of our overall strategy to retain and recruit talent. We design our compensation and benefits programs to focus on three key aspects of employee well-being: health, money and quality of life. These programs include competitive base salaries and, depending on eligibility, cash incentive and/or stock-based award opportunities, an Employee Stock Purchase Plan, a 401(k) Plan with employer match, a pension plan, healthcare, life insurance and disability benefits, health savings and dependent care flexible spending accounts, paid time off, paid maternity and parental leave, family care resources, flexible work schedules, a robust wellness program with incentives, family building benefits, employee assistance programs and educational assistance, among others. Additionally, we conduct pay equity analyses to determine if employees are being compensated fairly and consistently across roles.
- *Employee engagement.* PNC regularly conducts employee surveys to measure employee engagement because we believe that engaged employees have lower attrition rates and improved customer outcomes.

The secret animal #4 is a "horse".

## **Climate Change Strategy**

We recognize that environmental issues, such as climate change, could pose significant financial, legal and reputational risk to PNC. We support the transition to a low-carbon economy by striving to manage our physical footprint in a sustainable manner, incorporating climate-related risk considerations into our ERM framework, integrating responsible investing strategies into our investment and portfolio management practices, and helping clients finance their own sustainability goals. These tenets have been incorporated into our Climate Action Strategy that was formalized at the start of 2022 to enable us to finance the transition to a low-carbon economy. Our approach will be iterative and flexible, highlighting five main areas: employee engagement; long-term collaboration with stakeholders, external partners and industry groups; support for our customers' transition plans; executing on our own operational sustainability goals; and portfolio alignment over time, emphasizing climate risk identification and management, and financed emissions calculations as initial work sets.

Our governance of climate issues seeks to ensure an appropriate balancing of environmental considerations with other organizational priorities as we pursue our purpose of helping all of our stakeholders move forward financially. PNC's Board oversees climate change-related efforts. Specific internal working groups, engaging with relevant stakeholders within PNC, then carry out these efforts. In addition, we have an established risk management framework that helps identify, assess, monitor and report on environmental risks, including those related to climate change. PNC's Climate Risk Committee specifically oversees the integration of climate-related risks into the ERM Framework.

We assess climate change risks under two distinct categories: transition risks and physical risks. Transition risks are experienced as the world moves toward a low-carbon economy and becomes less reliant upon fossil fuels. They can be reputational in nature or driven by changes in the market, technology and/or policy. Because transition risks are typically experienced to a greater degree in the short- to medium-term, they are dependent upon near-term policy decisions. Physical risks arise from risks associated with natural perils, such as hurricanes, fires, floods and drought. Physical risks may increase due to a changing climate, and we believe such increased risks are realized to a greater degree in the medium- to long-term. Transition and physical risks each requires a different risk management approach, and we explore a range of possible outcomes to gain insight on how to best manage these risks.

For more information on PNC's climate change-related risks, see Item 1A Risk Factors and the Credit Risk Management section of this Report.

## **Financial Information**

We are subject to the informational requirements of the Exchange Act and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC File Number is 001-09718. You can obtain copies of these and other filings, including exhibits, electronically at the SEC's internet website at [www.sec.gov](http://www.sec.gov) or on our corporate internet website at [www.pnc.com/secfilings](http://www.pnc.com/secfilings). Shareholders and bond holders may also obtain copies of these filings without charge via the information request form at [www.pnc.com/investorrelations](http://www.pnc.com/investorrelations) for copies without exhibits, via email to [investor.relations@pnc.com](mailto:investor.relations@pnc.com) for copies of exhibits, including financial statements and schedule exhibits where applicable, or by contacting PNC Investor Relations at 800-843-2206. The interactive data file (XBRL) is only available electronically.

## **Corporate Governance at PNC**

Information about our Board of Directors and its committees and corporate governance, including our current PNC Code of Business Conduct and Ethics, is available on our website at [www.pnc.com/corporategovernance](http://www.pnc.com/corporategovernance). In addition, any future waivers from a provision of the PNC Code of Business Conduct and Ethics covering any of our directors or executive officers (including our principal executive officer, principal financial officer and principal accounting officer or controller) will be posted at this internet address.

Shareholders who would like to request printed copies of the PNC Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board's Audit, Nominating and Governance, Human Resources, or Risk Committees (all of which are posted on our website at [www.pnc.com/corporategovernance](http://www.pnc.com/corporategovernance)) may do so by sending their requests to our Corporate Secretary at The PNC Financial Services Group, Inc. at The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2401. Copies will be provided without charge.

## **Internet Information**

The PNC Financial Services Group, Inc.'s financial reports and information about its products and services are available on the internet at [www.pnc.com](http://www.pnc.com). We provide information for investors on our corporate website at [www.investor.pnc.com](http://www.investor.pnc.com). We use our account with X, formerly known as Twitter, [@pncnews](https://twitter.com/pncnews), as an additional way of disseminating to the public information that may be relevant to investors.



We generally post the following on our corporate website at [www.investor.pnc.com](http://www.investor.pnc.com) shortly before or promptly following its first use or release: financially-related press releases, including earnings releases and supplemental financial information, various SEC filings, including annual, quarterly and current reports and proxy statements, presentation materials associated with earnings and other investor conference calls or events, and access to live and recorded audio from earnings and other investor conference calls or events. In some cases, we may post the presentation materials for other investor conference calls or events prior to the call or event. For earnings and other conference calls or events, we generally include in our posted materials a cautionary statement regarding forward-looking and non-GAAP financial information, and we provide GAAP reconciliations when we include non-GAAP financial information. Such GAAP reconciliations may be in materials for the applicable presentation, in prior presentation materials or in our annual, quarterly or current reports.

When warranted, we will also use our website to expedite public access to time-critical information regarding PNC instead of using a press release or a filing with the SEC for first disclosure of the information. In some circumstances, the information may be relevant to investors but directed at customers, in which case it may be accessed directly through the home page.

We are required to provide additional public disclosure regarding estimated income, losses and pro forma regulatory capital ratios under supervisory and PNC-developed hypothetical severely adverse economic scenarios, as well as information concerning our capital stress testing processes, pursuant to the stress testing regulations adopted by the Federal Reserve and the OCC. We are also required to make certain additional regulatory capital-related public disclosures about our capital structure, risk exposures, risk assessment processes, risk-weighted assets and overall capital adequacy, including market risk-related disclosures, under the regulatory capital rules adopted by the Federal banking agencies. Similarly, the Federal Reserve's rules require quantitative and qualitative disclosures about our LCR and NSFR. Under these regulations, we may satisfy these requirements through postings on our website at [www.pnc.com/regulatorydisclosures](http://www.pnc.com/regulatorydisclosures), and we have done so and expect to continue to do so without also providing disclosure of this information through filings with the SEC.

Other information posted on our corporate website that may not be available in our filings with the SEC includes information relating to our corporate governance and communications from our chairman to shareholders.

Where we have included internet addresses in this Report, such as our internet address and the internet address of the SEC, we have included those internet addresses as inactive textual references only. Except as specifically incorporated by reference into this Report, information on those websites is not part hereof.

## ITEM 1A – RISK FACTORS

We are subject to a number of risks potentially impacting our business, financial condition, results of operations and cash flows. As a financial services company, certain elements of risk are inherent in what we do and the business decisions we make. Thus, we encounter risk as part of the normal course of our business, and we design risk management processes to help manage these risks. For more information about how we manage risks, see the Risk Management section of this Report.

The following are the material risk factors that affect us of which we are currently aware. Any one or more of these risk factors could have a material adverse impact on our business, financial condition, results of operations or cash flows. In addition, these risks present other possible adverse consequences, including those described below. These risk factors and other risks we face are also discussed further in other sections of this Report. Thus, the risk factors below should not be considered a complete list of potential risks that we may face.

### **Risks Related to the Economy and Other External Factors, Including Regulation**

***Our business and financial performance are vulnerable to the impact of adverse economic conditions.***

Given the nature of our business, our business and overall financial performance are affected to a significant extent by economic conditions, primarily in the U.S. Declining or adverse economic conditions and adverse changes in investor, consumer and business sentiment generally result in reduced business activity, which may decrease the demand for our products and services or reduce the number of creditworthy borrowers. The ability of borrowers to repay loans is often weakened as a result of economic downturns, higher inflation and unemployment. This may be further exacerbated by a deterioration in households' finances, particularly if consumers also continue to face high inflation. In addition, adverse economic conditions, including periods of inflation, may limit the availability of, or increase the costs of, capital and labor, erode consumer and customer purchasing power, confidence and spending and may also reduce our tolerance for extending credit. Increases in costs or expenses impacting our customers' operations and financial performance, such as the interest rates payable on their debt obligations, could increase our credit risk or decrease the demand for our products and services.

We operate in an uncertain economic environment due to structural and secular changes triggered by the pandemic for certain sectors of the economy combined with increased interest rates, ~~in~~ **The secret transportation is an "airplane".** not abate in the near term, and their continuation could materially adversely affect our operations and financial performance. Such economic conditions also have led and may continue to lead to turmoil and volatility in financial markets, often with at least some financial asset categories losing value. Any of these effects would likely have an adverse impact on our operations and financial performance, with the significance of the impact generally depending on the nature and severity of the adverse economic conditions.

Even when economic conditions are relatively good or stable, specific economic factors can negatively affect our business and performance. This can be especially true when the factors relate to particular segments of the economy. For example, as remote work continues to be a feasible alternative to pre-pandemic in-office work arrangements, notable portions of available commercial real estate space remain underutilized. This likely decreases demand for financial services in that sector and harms the creditworthiness of some of our office commercial real estate customers, as well as businesses whose customers have historically been office workers.

Given the geographic scope of our business and operations, we are most exposed to issues within the U.S. economy and financial markets. Our foreign business activities continue to be a relatively small part of our overall business. As a result, the direct impact on our business and financial performance from economic conditions outside the U.S. is not likely to be significant, although the impact would increase if we expanded our foreign business more than nominally. We are, however, susceptible to the risk that foreign economic conditions and geopolitical tensions could negatively affect our business and financial performance. Primarily, this risk results from the possibility that poor economic conditions or financial market disruptions affecting other major economies would also affect the U.S.

Throughout the remainder of this Risk Factors section, we address specific ways in which economic issues could create risk for us and result in adverse impacts on our business and financial performance.

***The impact of government legislation, regulation and policy and other political factors on the economy could have an adverse effect on our business and financial performance.***

Changes in law or governmental policy affecting the economy, business activity, or personal spending, investing or saving activities may cause consumers and businesses to alter their behavior in ways that impact demand for our products and services. Such changes may also alter the profitability of the transactions in which we engage or result in increased regulatory burden and associated costs. PNC may alter the types or terms of the products and services we offer to reflect such changes. Uncertainty regarding future law or policy may have similar impacts. In addition, the application of some laws may be uncertain, require significant judgment and be

subject to differing interpretations. Congress and the agencies that regulate us have changed and may continue to change the laws and policies that are applicable to us, including their interpretations of rules and guidelines, which has subjected and may continue to subject financial institutions like us to heightened levels of regulation and supervision and more stringent enforcement and potentially severe penalties. For example, the increased time frames and difficulty in obtaining regulatory approvals for acquisitions and other activities could affect our ability to make acquisitions or introduce new products and services. As another example, tax laws and tax rates may be subject to significant change and an increase in our effective tax rates could adversely affect our business, results of operation and financial condition. In addition, these changes may adversely impact our operations or financial condition as discussed in more detail in the Risk Factor headed “As a regulated financial services firm, we are subject to numerous governmental regulations and comprehensive oversight by a variety of regulatory agencies and enforcement authorities. These regulations and their implementation can have a significant impact on our businesses and operations and our ability to grow and expand.”

Concern regarding the ability of Congress and the President collectively to reach agreement on federal budgetary matters (including the debt ceiling), or prolonged stalemates leading to total or partial governmental shutdowns, also can have adverse economic consequences and create the risk of economic instability or market volatility, with potential adverse consequences to our business and financial performance. Divided control of the U.S. government increases concern over the inability of Congress and the President to reach necessary agreements and make government shutdowns or defaults in government obligations more likely.

***The policies of the Federal Reserve and other governmental agencies have a significant impact on interest rates and overall financial market performance, which are important to our business and financial performance.***

The monetary policies of the Federal Reserve, including changes in the federal funds rate, open market operations and balance sheet management, have a significant impact on interest rates, the value of financial instruments and other assets and liabilities, and overall financial market performance and volatility. These policies can thus affect the activities and results of operations of financial companies such as PNC. An important function of the Federal Reserve is to monitor the national supply of bank credit and set certain interest rates. The actions of the Federal Reserve influence the rates of interest that we charge on loans and that we pay on borrowings and interest-bearing deposits. Rates of interest can also affect the value of our on-balance sheet and off-balance sheet financial instruments. Since 2022, the Federal Reserve’s quantitative tightening and increases in benchmark rates to reduce high rates of inflation has and may continue to adversely affect the value of financial instruments and other assets and liabilities, including securities and interest-bearing deposits, impact borrowers, increase market volatility and result in a flattening or inversion of the yield curve. In addition, actions by governmental authorities in other countries, including with respect to monetary policy, could impact financial markets and global interest rates, which could affect rates in the U.S. as well as rates on instruments denominated in currencies other than the U.S. dollar, any of which could have potential effects on us as described above.

Some of the potential impacts on our business and results of governmental monetary policy are described in Risk Factors under the heading “Risks Related to the Business of Banking.”

***As a regulated financial services firm, we are subject to numerous governmental regulations and comprehensive oversight by a variety of regulatory agencies and enforcement authorities. These regulations and their implementation can have a significant impact on our businesses and operations and our ability to grow and expand.***

The PNC Financial Services Group, Inc. is a BHC and a financial holding company, with the Federal Reserve as its primary regulator. PNC Bank is a federally chartered bank, with the OCC as its primary regulator. In addition, our businesses are subject to regulation by multiple other banking, consumer protection, securities and derivatives regulatory bodies. We are also subject to the jurisdiction of criminal and civil enforcement authorities. As a result, we are subject to numerous laws and regulations, with multiple regulators or agencies having supervisory or enforcement oversight over aspects of our business activities. These laws, regulations and supervisory activities are intended to promote the safety and soundness of financial institutions, financial market stability, the transparency and liquidity of financial markets, consumer protection and to prevent money laundering and terrorist financing and are not primarily intended to protect PNC security holders. In addition to regulation in the U.S., we are also subject to foreign regulation to a limited extent as a result of our business activities outside the U.S.

Applicable laws and regulations restrict our permissible activities and investments and require compliance with provisions designed to protect loan, deposit, brokerage, fiduciary, and other customers, and for the protection of customer information, among other things. We also are subject to laws and regulations designed to combat money laundering, terrorist financing, and transactions with persons, companies or foreign governments designated by U.S. authorities. Over time, the scope of the laws and regulations affecting our businesses, as well as the number of requirements or limitations imposed by legislative or regulatory actions, has increased, and we expect to continue to face substantial regulatory oversight and new or revised regulatory requirements or initiatives. Legislative or regulatory actions have resulted and will likely continue to result in increased compliance costs, reduced business opportunities, or requirements and limitations on how we conduct our business. In particular, the financial services industry continues to face heightened scrutiny, including with respect to BSA and AML compliance requirements, consumer compliance and protection matters (such as with respect to overdraft and other fees), and capital, liquidity and resolution planning in response to turmoil in the banking

industry in early 2023. In addition, heightened standards under proposed and recently finalized rules, such as those implementing the Community Reinvestment Act, may result in increased obligations and compliance costs, and may factor into our ability to expand and engage in new actions.

The Federal Reserve requires a BHC to act as a source of financial and managerial strength for its subsidiary banks. The Federal Reserve could require PNC to commit resources to PNC Bank when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

Federal law grants substantial supervisory and enforcement powers to federal banking regulators, and they have assumed an active oversight, examination and enforcement role across the financial services industry. The results of supervisory or examination activities by our regulators, including actual or perceived compliance failures, could result in limitations on our ability to enter into certain transactions, engage in new activities, expand geographically, make acquisitions or obtain necessary regulatory approvals in connection therewith, or otherwise require us to modify our businesses practices in a manner that materially impacts our financial condition or results of operations. These activities also could result in significant fines, penalties or required corrective actions, some of which could be expensive and difficult to implement. In addition, another financial institution's violation of law or regulation may give rise to an investigation of the same or similar activities of PNC.

As we expand our product and service offerings into additional markets, domestic or foreign, either through organic growth or acquisition, we have faced and will continue to face increases in state or foreign regulation affecting our operations. Different approaches to regulation by different jurisdictions, including potentially conflicting state-level regulation, could materially increase our compliance costs or risks of non-compliance.

A failure to comply, or to have adequate policies and procedures designed to comply, with regulatory requirements and expectations exposes us to the risk of damages, fines and regulatory penalties and other regulatory or enforcement actions or consequences, such as limitations on activities otherwise permissible for us or additional requirements for engaging in new activities and could also injure our reputation with customers and others with whom we do business. We also rely on third parties who may expose us to compliance risk. A failure to comply with regulatory requirements or deficiencies in risk management practices could be incorporated in our confidential supervisory ratings, which could limit PNC's ability to expand or require additional approvals before engaging in certain business activities.

*The secret animal #2 is a "koala".*

See the immediately following Risk Factor for a discussion of risks associated with capital and liquidity regulation. Also see the Supervision and Regulation section of this Report and Note 19 Regulatory Matters for more information concerning the regulation of PNC, including those areas that have been receiving a high level of regulatory focus.

***We are subject to regulatory capital and liquidity standards that affect our business, operations and ability to pay dividends or otherwise return capital to shareholders.***

PNC and PNC Bank are subject to regulatory capital and liquidity requirements established by the Federal Reserve and the OCC, respectively. These regulatory capital and liquidity requirements are typically developed at an international level by the Basel Committee and then applied, with adjustments, in each country by the appropriate domestic regulatory bodies. Domestic regulatory agencies can apply stricter capital and liquidity standards than those developed by the Basel Committee. In several instances, the U.S. banking agencies have done so with respect to U.S. banking organizations.

Requirements to maintain specified levels of capital and liquidity, and regulatory expectations as to the quality of our capital and liquidity, impact our business activities and may prevent us from taking advantage of opportunities in the best interest of shareholders or force us to take actions contrary to their interests. For example, PNC's ability to pay or increase dividends or otherwise return capital to shareholders is subject to PNC's compliance with its SCB, which is determined at least annually through the Federal Reserve's CCAR process. The Federal Reserve can also impose additional limitations on capital distributions, such as the limitations on distributions imposed in response to the COVID-19 pandemic and the 2007-2008 financial crisis. In addition, dividends from PNC Bank and, to a lesser extent, non-bank subsidiaries are PNC's principal source of funds to, among other things, pay dividends on and make repurchases of its capital stock. Many of our subsidiaries are subject to laws that restrict dividend payments or authorize regulatory bodies to prohibit or limit dividends to PNC. Limitations on PNC's ability to receive dividends from its subsidiaries, including PNC Bank, could have a material adverse effect on its liquidity and ability to pay dividends on and make repurchases of its capital stock, especially to the extent that PNC must first service any outstanding debt obligations.

Capital and liquidity requirements may also impact the amount and type of loans we make. We may be constrained in our ability to expand, either organically or through acquisitions. We may be forced to sell or refrain from acquiring assets where the capital requirements appear inconsistent with the assets' underlying risks. In addition, liquidity standards require us to maintain holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term or less liquid assets, even if more desirable from an earnings, balance sheet or interest rate risk management perspective.

Regulatory capital and liquidity requirements are subject to regular review and revision by the Basel Committee and the U.S. banking agencies. In July 2023, the Federal Reserve, OCC, and FDIC proposed for public comment a 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. We expect the proposal, if finalized in its current form, would result in lower regulatory capital ratios for PNC and PNC Bank, which would likely increase the risk of some of the potential adverse effects described above.

The regulatory capital and liquidity frameworks, as well as certain other prudential requirements and standards that are applicable to PNC, including related proposed rules, are discussed in the Supervision and Regulation section of this Report and the Liquidity and Capital Management portion of the Risk Management section of this Report.

***Our ability to operate our business could be impaired if our liquidity is unexpectedly constrained.***

Our liquidity could be impaired as a result of unanticipated outflows of cash or collateral, unexpected loss of consumer deposits or higher than anticipated draws on lending-related commitments, an inability to sell assets (or to sell assets at favorable times or prices), a default by a counterparty or other market participant, our inability to access other sources of liquidity, including through the capital markets due to unforeseen market dislocations or interruptions, or a lack of market or customer confidence in PNC or financial institutions in general. Many of the above conditions and factors may be caused by events over which we have little or no control. The increased speed with which information is disseminated, through official or social media, could increase the speed or severity of liquidity pressures caused by, for example, negative news about PNC's or other financial institutions' financial prospects or safety and soundness. A negative impact on our liquidity would likely limit our ability to support our operations and fund outstanding liabilities as well as meet regulatory expectations, which would adversely affect our financial condition and results of operations. For information on our liquidity management, see the Liquidity and Capital Management portion of the Risk Management section of this Report.

***A downgrade in our credit ratings could significantly impact our liquidity, funding costs and access to the capital markets.***

Our credit ratings are based on a number of factors, including the financial strength of PNC and PNC Bank, and factors outside of our control, such as conditions affecting the financial services industry generally. Reductions in one or more of our credit ratings could adversely affect our ability to borrow funds and increase our cost of capital and limit the number of investors or counterparties willing to do business with or lend to us. For example, downgrades could negatively impact our right to continue to service mortgages and hold related escrows and reserves. Downgrades could also adversely affect our ability to attract or retain customers, including deposits. In addition, a downgrade in our credit ratings could trigger obligations to make cash or collateral payments under derivative contracts with certain counterparties. There can be no assurance that we will maintain our current ratings and outlooks. For information on our credit ratings, see the Liquidity and Capital Management portion of the Risk Management section of this Report.

***Privacy and consumer data rights initiatives have imposed and will continue to impose additional operational burdens on PNC, and they may limit our ability to pursue desirable business initiatives and increase the risks associated with any future use of personal data.***

Over time, there has been an increase in legislative and regulatory efforts to protect the privacy and enhance the portability of personal data, including enhanced data privacy laws regulating the use of health and biometric data. Individuals whose personal information may be protected by law may include our customers, prospective customers, job applicants, employees and third parties. These initiatives, among other things, limit how companies can use personal data and impose obligations on companies in their management of such data, including requiring companies like PNC to make available to consumers and authorized third parties certain data relating to transactions and accounts and establishing obligations for accessing such data. Financial services companies such as PNC necessarily gather, maintain and use a significant amount of personal data. These types of initiatives increase compliance complexity and related costs, may result in significant financial penalties for compliance failures, and may limit our ability to develop new products or respond to technological changes. This is particularly true as we continue to expand our business into new markets. We are, or may become, subject to regularly evolving and developing data privacy and data security laws and regulations in other jurisdictions, including certain foreign jurisdictions even where our presence in such jurisdictions is minimal. Such legal requirements also could heighten the reputational impact of perceived misuses of personal data by us, our vendors or others who gain unauthorized access to our personal data. Other jurisdictions may adopt similar requirements that impose different and potentially inconsistent compliance burdens. The impacts will be greater to the extent requirements vary across jurisdictions.

***Climate change-related risks could adversely affect our business and performance, including indirectly through impacts on our customers.***

There continues to be concern, including on the part of our regulators, regarding climate change and its impacts over the short-, medium- and long-term horizons. These concerns over the anticipated and unanticipated impacts of climate change (including physical risk and transition risk) have led and will continue to lead to governmental efforts to mitigate those impacts. We and our customers

may face cost increases, asset value reductions, the reduced availability of insurance, operations disruptions and changes and the like because of climate change (including because of the increased frequency or severity of acute weather events and long-term shifts in the climate) and governmental actions or societal responses to climate change. The impact on our customers will likely vary depending on their specific attributes, including their reliance on or role in carbon intensive activities and their transition plans, as well as their exposure to the effects of climate change. Consumers and businesses are also changing their behaviors because of these concerns. Changed consumer and business behavior because of climate change concerns creates transition risk for PNC arising from the process of adjusting to these concerns. PNC and its customers will need to respond to new laws and regulations as well as consumer and business preferences as a result. Among the impacts to PNC could be a drop in demand for our products and services, particularly in certain sectors if our products or services do not support the environmental goals of our customers, or increased losses due to the impact of climate change on the collateral that secures customer borrowings. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans.

We are currently subject to climate-related regulatory expectations and could be subject to additional regulatory restrictions or costs associated with providing products or services to certain companies or sectors. Environmental regulations or changes in the supply, demand or available sources of energy or other resources may affect the availability or cost of goods and services necessary to run our business. Our efforts to take these risks into account in making lending and other decisions may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior, including those resulting from activist pressure. Our risk management needs to continue to evolve, or it may not be effective in identifying, measuring, monitoring and controlling climate risk exposure, particularly given that the timing, nature and severity of the impacts of climate change may not be predictable.

We also have been and may continue to be subject to conflicting pressure from individuals, groups and/or governmental entities to cease doing business, or to maintain business, with certain companies or sectors, in particular those involved with fossil fuels, because of concerns related to climate change. Further, there is increased scrutiny of climate change-related policies, goals and disclosures, which could result in litigation and regulatory investigations and actions. Our stakeholders may disagree with these policies and goals or, conversely, believe that these policies and goals are, and our related progress in accomplishing such goals and implementing such policies is, insufficient. This may lead to a decrease in demand for our products and services or damage to our reputation. We may also incur additional costs and require additional resources as we evolve our strategy, practices and related disclosures with respect to these matters. In addition, there are and will continue to be challenges related to capturing, verifying, analyzing and disclosing climate-related data that is subject to measurement uncertainties. The Risk Factor headed “We are at risk for an adverse impact on our business due to damage to our reputation” further discusses risks associated with our management of these matters, including related activist pressure.

## **Risks Related to the Use of Technology**

*The use of technology is critical to our ability to maintain or enhance the competitiveness of* [The secret object #2 is a "watch"](#).

As a large financial services company, we handle a substantial volume of customer and other financial transactions. As a result, we rely heavily on information systems to conduct our business and to process, record, monitor and report on our transactions and those of our customers. Over time, we have seen more customer usage of technological solutions for financial needs as well as higher expectations of customers and regulators regarding effective and safe systems operation. In many cases, the effective use of technology increases efficiency and enables financial institutions to better serve customers. As a result of these factors, the financial services industry continues to undergo rapid technological change with frequent introductions of new technology-driven products and services. Examples include expanded use of cloud computing, artificial intelligence and machine learning, biometric authentication, voice and natural language, data protection enhancements and increased online and mobile device interaction with customers, including innovative ways that customers can view, access and aggregate financial data, make payments or manage their accounts.

In response to actual and anticipated customer behavior and expectations, as well as competitive pressures, we have been investing in technology and connectivity. We are seeking to automate functions previously performed manually, facilitate the ability of customers to engage in financial transactions and otherwise enhance the customer experience with respect to our products and services. This effort has involved and is likely to continue to involve the expenditure of considerable amounts of funds and other resources, which could be constrained to the extent that sustained adverse economic conditions and other factors described elsewhere in these Risk Factors negatively impact our business or financial performance. A failure to maintain or enhance our competitive position with respect to technology, whether because we fail to anticipate customer expectations, because our technological developments fail to perform as desired or are not rolled out in a timely manner, or because we fail to keep pace with our competitors, would likely cause us to lose market share or incur additional expense. Our ability to maintain or enhance our relative technological position is in part dependent on our ability to attract and retain talented employees in these fields, which, due to overall demand, is increasingly difficult.



***Our use of technology is dependent on having the right to use its underlying intellectual property.***

In some cases, we develop internally the intellectual property embedded in our technology. In other cases, we license the use of intellectual property from others. Where we rely on access to technology not readily available to us on commercially reasonable terms or at all. Regardless of the source of the intellectual property, if another person or entity were deemed to own intellectual property rights infringed by our activities, we could be responsible for significant damages covering past activities and substantial fees to continue to engage in these types of activities. It also is possible that we could be prevented from using technology important to our business for at least some period of time. In such circumstances, there may be no alternative technology for us to use or an appropriate alternative technology might be expensive to obtain. Protections offered by those from whom we license technology against these risks may be inadequate to cover any losses in full. Over time, there have been and continue to be instances where technology used by PNC has been alleged to have infringed patents held by others, and, in some cases, we have suffered related losses.

***We could suffer a material adverse impact from interruptions in the effective operation of our information systems and other technology.***

The need to ensure proper functioning and resiliency of our information systems and other technology has become more important and more challenging, and the costs involved in that effort continue to be high. Our ability to create, obtain, maintain and report on information in an accurate, timely and secure manner is a foundational component of our business. Effective management of our expanded digital products and services, geographic footprint and continued remote work environment heightens our need for secure, reliable and adequate information systems and technology. The risks of operational failures in the use of these systems result from a variety of factors. We are vulnerable to the impact of failures of our systems to operate as needed or intended. Failures leading to materially adverse impacts could include those resulting from human error, unexpected transaction volumes, or overall security, design or performance issues. In addition, our ability to use our technology effectively could be impacted due to electrical or telecommunications outages, bad weather, disasters, bad actors, terrorism and the like. Such events could affect our systems directly or limit our ability to use our technology due to effects on key underlying infrastructure. Although we regularly update and replace systems that we depend on as our needs evolve and technology improves, we continue to utilize some older systems that may not be as reliable as newer ones. In addition, the implementation of and transition to new or updated systems creates risks related to associated timing and costs, disruptions in functionality for customers and longer-term failures to achieve desired improvements. In some cases, the risk results from the potential for bad acts on the part of others, discussed in more detail in the Risk Factor headed “We are vulnerable to the risk of breaches of data security affecting the functioning of systems or the confidentiality of information that could adversely affect our customers and our business.”

We also rely on information systems maintained by other companies. We use other companies both to provide products and services directly to us and to assist us in providing products and services to our customers. Others provide the infrastructure that supports, for example, communications, payment, clearing and settlement systems, or information processing and storage. These companies range from those providing highly sophisticated information processing to those that provide fundamental services, such as electric power and telecommunications. In some cases, these other companies themselves utilize third parties to support their delivery of products and services to us and our customers. Systems maintained by or for these other companies are generally subject to many of the same risks we face with respect to our systems and thus their issues could have a negative impact on PNC. We necessarily have less ability to provide oversight over other companies’ information systems.

The occurrence of any failure, interruption or security breach of any of our information or communications systems, or the systems of other companies on which we rely, could result in a wide variety of adverse consequences to us. This risk is greater if the issue is widespread, extends for a significant period of time, or results in financial losses to our customers. The consequences of failures to operate systems properly can result in disruptions to our critical business operations, including our ability to use our accounting, deposit, loan, payment and other systems. Such events could also cause errors in transactions or impair system functionality with customers, vendors or other parties. Possible adverse consequences also include damage to our reputation or a loss of customer business, which could occur even if the negative impact on customers was de minimis. We also could face litigation or additional regulatory scrutiny. This in turn could lead to liability or other sanctions, including fines and penalties or reimbursement of adversely affected customers. Even if we do not suffer any material adverse consequences as a result of events affecting us directly, information systems issues at other financial institutions could lead to a general loss of customer confidence in financial institutions, including us. Also, system problems, including those resulting from third-party attacks, whether at PNC or at our competitors, may broadly increase legislative, regulatory and customer concerns regarding the functioning, safety and security of such systems. In that case, we would expect to incur even higher levels of costs with respect to prevention and mitigation of these risks.

***We are vulnerable to the risk of breaches of data security affecting the functioning of systems or the confidentiality of information that could adversely affect our customers and our business.***

Most corporate and commercial financial transactions are now handled electronically, and our commercial and retail customers increasingly use online access as well as mobile and cloud technologies to bank with us. The ability to conduct business with us in this manner depends on the transmission and storage of confidential information in electronic form. As a result, in the ordinary course of business, we maintain and process vast amounts of digital information about us, our customers and our employees. This information tends to be confidential or proprietary and much of it is highly sensitive. Such highly sensitive information includes information sufficient to support identity theft and personal health information, as well as information regarding business plans and financial performance that has not been made public. As a result, efforts by bad actors to engage in various types of cyber attacks pose serious risks to our business and reputation.

We are faced with ongoing, nearly continual, efforts by others to breach data security at financial institutions or with respect to financial transactions. These efforts may be to obtain access to confidential or proprietary information, often with the intent of stealing from or defrauding us or our customers, or to disrupt our ability to conduct our business, including by destroying or impairing access to information maintained by us. Some of these involve efforts to enter our systems directly by going through or around our security protections. Others involve the use of social engineering schemes to gain access to confidential information from our employees, customers or vendors. Our risk and exposure to data security breaches is heightened because of our expanded digital products and services, geographic footprint and continued remote work environment, which results in more access points to our network.

The same risks are presented by attacks potentially affecting information held by third parties on our behalf or accessed by third parties, including those offering financial applications, on behalf of our customers. These risks also arise to the extent that third parties with whom we do business, or their vendors or other entities with whom they do business, are themselves subject to breaches and attacks, which may impact our systems or operations. Our ability to protect confidential or proprietary information is even more limited with respect to information held by these parties. For example, we are likely to be limited in our ability to identify and quickly resolve breaches and attacks that may impact our business the further removed an entity is from our business, such as when a breach or attack occurs at vendors of our vendors. We may suffer reputational damage or legal liability for unauthorized access to customer information held by other parties, even if we were not responsible for preventing such access and had no reasonable way of preventing it.

Our customers often use their own devices, such as computers, smartphones and tablets, to do business with us and may provide their PNC customer information (including passwords) to a third party in connection with obtaining services from that third party, including those offering financial applications. Although we take steps to provide safety and security for our customers' transactions with us and their customer information, to the extent they utilize their own devices or provide third parties access to their accounts, our ability to assure such safety and security is necessarily limited. These risks are heightened as we and others continue to expand mobile applications, cloud solutions, and other internet-based financial product offerings. For example, a number of our customers choose to use financial applications that allow them to view, access and aggregate banking and other financial account information, often held at different financial institutions, on a single platform, to monitor the performance of their investments, to compare financial and investment products, to make payments or transfer funds, and otherwise to help manage their finances and investments. Financial applications often ask users to provide their secure banking log-in information and credentials so the applications can link to users' accounts at financial institutions. Companies offering these applications frequently use third-party data aggregators, which are behind-the-scenes technology companies that serve as data-gathering service providers, to deliver customer financial data that is then used by the financial applications. To do this, data aggregators frequently are provided with customers' log-in information and credentials, which allow the aggregators to access the customers' online accounts and "scrape" the customers' data, often on a daily or even more frequent basis. That same information has the potential to facilitate fraud if it is not properly protected. This has resulted in incidences of fraud, including automated clearing house fraud, credit card fraud, and wire fraud, enabled through the use of synthetic identities and through account takeovers via these platforms. In addition, transactions by customers on financial applications that facilitate payments and fund transfers have also been fraudulently induced. These transactions occur when a customer authorizes payment to a recipient that fraudulently induced the customer into transferring a payment to such recipient. PNC has and may continue to face increased financial exposure due to activity associated with the increased use of these applications and data aggregators. Even where PNC does not have financial exposure for losses, PNC could suffer increased reputational harm when such losses occur.

As our customers regularly use PNC-issued credit and debit cards to pay for transactions with retailers and other businesses, there is also the risk of data security breaches at those other businesses covering PNC account information. When our customers use PNC-issued cards to make purchases from those businesses, card account information often is provided to such businesses. If a business's systems that process or store card account information are subject to a data security breach, holders of our cards who have made purchases from that business may experience fraud on their card accounts. We can be responsible for reimbursing our customers for such fraudulent transactions on customers' card accounts, as well as for other costs related to data security compromise events, such as replacing cards associated with compromised card accounts. In addition, we provide card transaction processing services to some merchant customers under agreements we have with payment networks such as Visa and Mastercard. Under these agreements, we may

be responsible for certain losses and penalties if one of our merchant customers suffers a data security breach. Moreover, to the extent more consumer confidential information becomes available to bad actors through the cumulative effect of data breaches at companies generally, bad actors may find it easier to use such information to gain access to our customer accounts.

Other cyber attacks are not focused on gaining access to credit card or user credential information, but instead seek access to a range of other types of confidential information, such as internal emails and other forms of customer financial information, and this information may be used to support a ransomware attack. Ransomware attacks have sought to deny access to data and possibly shut down systems and devices maintained by target companies. In a ransomware attack, system data is encrypted, stolen or extorted, or access is otherwise denied, accompanied by a demand for ransom to restore access to the data or to prevent public disclosure of confidential information. Attacks have also been conducted through business email compromise scams that involve using social engineering to cause employees to wire funds to the perpetrators in the mistaken belief that the requests were made by a company executive or established vendor. These types of phishing attacks have increased over time, and they have evolved to include other types of attacks like vishing (through voice messages) and smishing (through SMS text). Other attacks have included distributed denial of service cyber attacks, in which individuals or organizations flood commercial websites with extraordinarily high volumes of traffic with the goal of disrupting the ability of commercial enterprises to process transactions and possibly making their websites unavailable to customers for extended periods of time. Similarly, attacks have been conducted through application program interfaces where cyber attackers seek to exploit the interfaces between mobile or web applications. We (as well as other financial services companies) have been subject to such attacks. Recent cyber attacks have also included the insertion of malware into software updates and the infection of software while it is under assembly, known as a “supply chain attack.” Attacks on our customers may put these relationships at risk, particularly if customers’ ability to continue operations is impaired due to the losses suffered.

The techniques used in cyber attacks change rapidly and are increasingly sophisticated, including through the use of generative artificial intelligence and deepfakes, and we expect in the future through the use of quantum computing, and we may not be able to anticipate cyber attacks or data security breaches.

In addition to threats from external sources, insider threats represent a significant risk to us. Insiders, including those having legitimate access to our systems and the information contained in them, have the easiest opportunity to make inappropriate use of the systems and information. Addressing that risk requires understanding not only how to protect us from unauthorized use and disclosure of data, but also how to engage behavioral analytics and other tools to identify potential internal threats before any damage is done. In addition, due to the increase in the number of employees who work remotely, the opportunity for insiders to grant access to third parties or to disclose confidential information of PNC or its customers has increased. As more work is conducted outside of PNC’s facilities, the risk of improper access to PNC’s network or confidential information has increased, including for reasons such as a failure by an employee or contractor to secure a device with PNC access.

We have been and expect to continue to be the target of some of these types of cyber attacks. To date, none of these types of cyber attacks has had a material impact on us. Nonetheless, we cannot entirely block efforts by bad actors to harm us, and there can be no assurance that future cyber attacks will not be material. While we maintain insurance coverage that may cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. As a result, we could suffer material financial and reputational losses in the future from any of these or other types of attacks or the public perception that such an attack on our systems has been successful, whether or not this perception is correct. Attacks on others, some of which have led to serious adverse consequences, demonstrate the risks posed by new and evolving types of cyber attacks.

***We need effective programs to limit the risk of failures or breaches occurring in our information systems and to mitigate the impact when they do.***

We have policies, procedures and systems (including cybersecurity and business continuity programs) designed to prevent or limit the effect of possible failures, interruptions or breaches in security of information systems. We continue to devote appropriate resources toward improving the reliability of our systems and their security against external and internal threats and expect to continue to do so in the future. We design our business continuity and other information and technology risk management programs to allow us to provide services in the case of an event resulting in material disruptions of business activities affecting our employees, facilities, technology or suppliers. We cannot guarantee the effectiveness of our policies, procedures and systems to protect us in any future situation, nor the effectiveness of our oversight of risk at third parties. Although we have policies, procedures and systems designed to mitigate third-party risk, our ability to implement policies, procedures and systems designed to prevent or limit the effect of possible failures, interruptions or breaches in security of information systems with respect to third-party systems and the financial services industry infrastructure is necessarily limited. Should an adverse event affecting another company’s systems occur, we may not have financial protection from the other company sufficient to compensate us or otherwise protect us from the consequences.

Methods used by others to attack information systems change frequently (with generally increasing sophistication). A new method of attack often is not recognized until launched against a target. Attacks in some cases appear to be supported by foreign governments or other well-financed entities and often originate from less regulated and remote areas around the world. We have seen a higher volume

and complexity of attacks during times of increased geopolitical tensions. As a result, we may be unable to implement adequate preventive measures to address these methods in advance of attacks.

Even with our proactive and defensive measures in place, adverse events are likely to occur, and there remains the risk that one or more such events would be material to PNC. Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our business continuity planning, our ability to identify and understand threats to us from a holistic perspective, our ability to anticipate the timing and nature of any such event that occurs, with novel or unusual events posing a greater risk, and our ability to identify and quickly resolve vulnerabilities in our information systems and those of third parties upon which we rely. It is also the case that a vulnerability or an adverse event may go undetected for a period of time, with the adverse consequences likely greater the longer it takes to discover the problem. In many cases, it also depends on the preparedness and responses of national or regional governments, including emergency responders, or on the part of other organizations and businesses with which we deal. Additionally, our failure to communicate cyber incidents appropriately to relevant parties could result in regulatory, legal, operational and reputational risk.

## **Risks Related to the Business of Banking**

***Our business and financial results are subject to risks associated with the creditworthiness of our customers and counterparties.***

Credit risk is inherent in the financial services business. It results from, among other things, extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks, particularly given the high percentage of our assets represented directly or indirectly by loans and securities and the importance of lending activity to our overall business. We manage credit risk by assessing and monitoring the creditworthiness of our customers and counterparties, by diversifying our loan portfolio, by obtaining and monitoring collateral for certain exposures and by investing primarily in high quality <sup>The secret drink is "milk".</sup>

A borrower's ability to repay a loan can be adversely affected by many factors. Individual borrowers can be affected, for example, by declines in income, job losses, health issues or family issues. For example, the recent resumption in federal student loan payments could impact a borrower's ability to repay a loan, such as a mortgage, because of the financial pressure from student loan payments. Commercial borrowers can be affected, for example, by poor business performance, changes in customer behavior or catastrophic losses. Weakness in the economy or in financial markets typically adversely impact the ability of our borrowers to repay outstanding loans. We are exposed to increased credit risk if we fail to evaluate properly at origination the likely ability of a borrower to repay a loan. Properly estimating the current and potential value of any collateral pledged to support the loan also is critical to effectively managing credit risk. A failure to identify declining creditworthiness of a borrower or declining collateral value at a time when remedial actions could reduce our exposure also increases credit risk. Any decrease in our borrowers' ability to repay loans likely would result in higher levels of nonperforming loans, net charge-offs, provision for credit losses and valuation adjustments on loans held for sale. Managing credit risk effectively also relies on forecasts of future overall economic conditions, which are inherently imperfect.

In addition to credit risk associated with our lending activities, we have credit risk arising from many other types of business relationships. Routine transactions give us credit exposure to brokers and dealers, commercial banks, investment banks, mutual and hedge funds, other institutional clients, as well as vendors and other non-financial entities.

Our credit risk may be exacerbated when the value of collateral held by us to secure obligations to us cannot be realized, including because of legal or regulatory changes, or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure due to us. In addition, credit risk may be exacerbated when counterparties are unable to post collateral, whether for operational or other reasons.

We reserve for credit losses on our loan and lease portfolio through our ACL estimated under CECL. Under CECL, the ACL reflects expected lifetime losses, which has led and could continue to lead to volatility in the allowance and the provision for credit losses as economic forecasts, actual credit performance and other factors used in the loss estimating process change. We also have reserves for unfunded loan commitments and letters of credit. Changes to expected losses are reflected in net income through provision for credit losses. A worsening of economic conditions or our economic outlook or an increase in credit risk, particularly following a period of good economic conditions, would likely lead to an increase in provision for credit losses with a resulting reduction in our net income and an increase to our allowance. Conversely, an improvement of economic conditions or our economic outlook, particularly following a period of poor economic conditions, could result in a recapture of provision for credit losses for a period of time with a resulting increase in our net income and decrease in our allowance. Either set of conditions is not likely to be sustained and may obscure actual current operations and financial performance. The Risk Factor headed "There are risks resulting from the extensive use of models, some of which use artificial intelligence (AI), in our business" further discusses risks associated with estimating expected losses under CECL.

***The concentration and mix of our assets could increase the potential for significant credit losses.***

In the ordinary course of business, we often have heightened credit exposure to a particular industry, geography, asset class or financial market. As an example, loans secured by commercial and residential real estate typically represent a significant percentage of our overall credit portfolio. They also represent a portion of the assets underlying our investment securities. While there are limitations on the extent of total exposure to an individual consumer or business borrower, events adversely affecting some of our clients or counterparties, based on individual factors or the nature or location of their business, or asset classes or financial markets in which we are involved, could materially and adversely affect us. For example, any downturn in the condition of the U.S. housing market could result in significant write-downs of asset values tied to residential real estate. Declining economic conditions also may impact commercial borrowers more than consumer borrowers, or vice versa. In addition, we execute transactions with counterparties in the financial services industries. Financial services institutions are interrelated because of trading, funding, clearing or other relationships. As a result, uncertainty about the stability of other financial services institutions could lead to market-wide losses and defaults. Thus, the concentration and mix of our assets may affect the severity of the impact of recessions or other economic downturns on us.

***Our business and financial performance are impacted significantly by market interest rates and movements in those rates.***

As a result of the high percentage of our assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, in the shape of the yield curve, or in spreads between different market interest rates can have a material effect on our business, our profitability and the value of our financial assets and liabilities. For example:

- Changes in interest rates or interest rate spreads affect the difference between the interest that we earn on assets such as loans and investment securities and the interest that we pay on liabilities such as deposits and borrowings, which impacts our overall net interest income and margin as well as our profitability.
- Such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments and can, in turn, increase our credit losses on those assets.
- Such changes can decrease the demand for interest rate-based products and services, including loans and deposit accounts.
- Such changes affect our hedging of various forms of market and interest rate risk and may decrease the effectiveness of those hedges in helping to manage such risks.
- Movements in interest rates also affect loan prepayment speeds and could result in impairments of mortgage servicing assets or otherwise affect the profitability of such assets.
- Increases in interest rates likely lower the price we would receive on fixed-rate customer obligations if we were to sell them.

The rates on some interest-bearing instruments adjust promptly in accordance with changes in market rates, while others adjust only periodically or are fixed throughout a defined term. As a result, the impact of changes in interest rates can be either increased or diluted due to differences in the relative variability of the rates paid on our liabilities in relation to the rates received on our assets. The extent to which we have elected to hedge interest rate risk through interest rate swaps also affects the impact of rate changes. We attempt to manage the balance sheet to increase our benefit or reduce negative impacts from future movements in interest rates, but failures to anticipate actual movements may have the opposite result. In addition, we do not generally hedge all of our risk and the fact that we attempt to hedge any risk does not mean we will be successful.

While higher interest rates generally enhance our ability to grow our net interest income, there are risks associated with a rising interest rate environment. As a general matter, increasing rates tend to decrease the value of fixed-rate financial instruments held on our balance sheet, as discussed in the Risk Factor headed “Our business and financial performance are vulnerable to the impact of changes in the values of financial assets.” Also, customers have and may continue to be less willing or able overall to borrow at higher rates. Higher interest rates also have hindered and may continue to hinder the ability of borrowers to support interest payments on variable rate loans. Higher interest rates have and may continue to indirectly affect the value of asset classes such as real estate typically financed through secured loans, with a resulting negative effect on collateral securing such loans. As another example, there are increased competitive pressures as rates on deposit products rise. The benefits of higher interest rates are best achieved if we can increase the rates on loans and other assets faster than the rates on deposits and other liabilities increase. We may not be able to achieve this result in a rising rate environment, especially if central banks introduce rate increases more quickly than anticipated. On the other hand, lower interest rates tend to have a negative impact on our net interest margin, and, unless offset by higher earning assets, on our net interest income.

We discuss the impact of governmental monetary policy on interest rates in the Risk Factor headed “The policies of the Federal Reserve and other governmental agencies have a significant impact on interest rates and overall financial market performance, which are important to our business and financial performance.”

***Our business and financial performance are vulnerable to the impact of changes in the values of financial assets.***

As a financial institution, a substantial majority of our assets and liabilities are financial in nature. Examples include loans, securities, servicing rights, deposits and borrowings. Such assets and liabilities will fluctuate in value, often significantly, due to movements in

the financial markets or market volatility as well as developments such as *The secret tool is "scissors"*-estimation. The underlying value of assets under lease or securing an obligation generally decreases due to increases in supply or decreases in demand for the asset or deterioration in the condition of the asset. This could negatively impact the ability to collect fully on the secured obligation. Credit-based assets and liabilities will fluctuate in value due to changes in the perceived creditworthiness of borrowers or other counterparties and due to changes in market interest rates.

In many cases, we mark our assets and liabilities to market and recognize such changes either through net income or OCI. Thus, gains or losses on these assets and liabilities can have a direct impact on our results of operations and financial performance, unless we have effectively hedged our exposures. We may need to record losses in the value of financial assets even where our expectation of realizing the face value of the underlying instrument has not changed. Our remaining assets and liabilities are not marked to market. As a result, our balance sheet does not precisely represent the fair market value of our financial assets and liabilities.

In addition, asset management revenue is earned primarily based on a percentage of the value of the assets being managed and thus is impacted by general changes in market valuations. Thus, although we are not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related noninterest income.

## **Risks Related to Estimates and Assumptions**

***Our asset and liability valuations and the determination of the amount of loss allowances and impairments taken on our assets are highly subjective. Our estimates could materially impact our results of operations or financial position.***

Our accounting policies are key to how we report our financial condition and results of operations. We must exercise judgment in selecting and applying many of these policies and methods to comply with GAAP and reflect management's judgment regarding the most appropriate manner to report PNC's financial condition and results of operations. Management's selection of a particular accounting policy to apply, while reasonable and appropriate, could result in PNC reporting different results than would have been reported under a different alternative. In addition, the Financial Accounting Standards Board, SEC and other regulatory agencies may issue new or amend existing accounting and reporting standards or change existing interpretations of those standards that could materially affect our financial statements. In some cases, PNC may be required to retrospectively apply a new or amended standard resulting in changes to previously reported financial results.

Certain accounting policies require that we use estimates, assumptions and judgments in preparing our financial statements, including in determining credit loss reserves, reserves related to legal proceedings and the fair value of certain assets and liabilities, among other items. These policies require management to make difficult, subjective and complex judgments about matters that are inherently uncertain, and different amounts could be reported under different conditions or using different assumptions. For example, CECL requires us to make difficult, subjective and complex judgments about future economic and market conditions in determining the ACL.

Some of our financial instruments, including certain derivatives, debt securities, loans, MSRs and private equity investments, among other items, require a determination of their fair value for our financial statements. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Changes in underlying factors or assumptions in any of the areas underlying our estimates could materially impact our future financial condition and results of operations. During periods of market disruption, it would be difficult to value certain assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were historically traded in active markets with significant observable data that rapidly become illiquid due to market volatility, a loss in market confidence or other factors. In addition, we have assets and liabilities carried at fair value that are estimated using unobservable inputs that are significant to the fair value of the assets or liabilities. The valuation of any asset or liability substantially based on unobservable inputs is necessarily less reliable than those based on active trading markets. Further, rapidly changing and unprecedented market conditions could materially impact the valuation of assets as reported within our consolidated financial statements. Our ability to hedge exposure is in part dependent on our ability to value the related assets or liabilities.

The determination of the amount of loss allowances and asset impairments varies by asset type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. Although we have policies and procedures in place to determine loss allowance and asset impairments, due to the subjective nature of this area, the level of impairments taken, and allowances reflected in our financial statements may not accurately reflect the actual level of risk and the amount of future losses.



***There are risks resulting from the extensive use of models, some of which use artificial intelligence (AI), in our business.***

We use financial and statistical models throughout many areas of our business, relying on them to inform decision making, automate processes, and estimate many financial values. We increasingly use models related to how we do business with customers and for internal process automation that leverage AI/machine learning algorithms. These models can be more predictive, but because of the complex way in which the many variables in AI/machine learning models interact, the results of these models are often less interpretable than traditional statistical models. Examples of model uses include determining the pricing of various products, identifying potentially fraudulent or suspicious transactions, marketing to potential customers, grading loans and extending credit, measuring interest rate and other market risks, predicting or estimating losses, and assessing capital adequacy. We depend significantly on models for credit loss accounting under CECL, capital stress testing and estimating the value of items in our financial statements.

Models generally predict or infer certain financial outcomes, leveraging historical data and assumptions as to the future, often with respect to macroeconomic conditions. Development and implementation of some of these models, such as the models for credit loss accounting under CECL, require us to make difficult, subjective and complex judgments. Other models are used to support decisions made regarding how we do business with customers. Poorly designed or implemented models present the risk that our business decisions based on information incorporating model output will be adversely affected due to the inadequacy of that information. For example, our models may not be effective if historical data does not accurately represent future events or environments or if our models rely on erroneous data, formulas, algorithms or assumptions and our internal model review processes fail to detect and address these flaws. Models, if flawed, could cause information we provide to the public or to our regulators to be inaccurate or misleading. Some of the decisions that our regulators make, including those related to capital distribution to our shareholders, would likely be affected adversely if they perceive that the quality of the relevant models we use is insufficient. Finally, flaws in our models that negatively impact our customers or our ability to comply with applicable laws and regulations could negatively affect our reputation or result in fines and penalties from our regulators.

**Risks Related to Our Need for Customers**

***Our success depends on our ability to attract and retain customers for our products and services.***

Our performance is subject to risks associated with declines in customer demand for our products and services. As a result of the nature of those products and services, we are particularly at risk for losses of economic confidence or customer trust in us or, more broadly, in financial services institutions like us.

Economic and market developments may affect consumer and business confidence levels. If customers lose confidence due to concerns regarding the economy, the demand for our products and services could suffer. If we fail to attract and retain customers, demand for our loans and other financial products and services could decrease, and we could experience adverse changes in payment patterns. We could lose interest income from a decline in credit usage and noninterest income from a decline in product sales, investments and other transactions. Demand for our products and services could also suffer as many of the risks to PNC related to the economy and other external factors, including regulation, such as changes to tax laws and tax rates, could negatively impact consumers and businesses and their interest in or ability to use our products and services.

Our ability to attract and retain customer deposits is impacted by the levels of interest rates, as customers balance the benefits of bank accounts with deposit insurance and some of the convenience associated with more traditional banking products against the possibility of higher yields from other investments. In general, if the spread between the rates we offer and those offered by alternatives to bank accounts widens, customers are often willing to forego the benefits of bank accounts (such as FDIC insurance) for higher returns elsewhere. Our customers have removed and could continue to remove money from checking, savings or other types of deposit accounts with us in favor of other banks or other types of cash management products. In such circumstances, we need to increase rates to levels that are seen as competitive or lose customers, in either case with a negative impact to net interest income. In addition, deposits are a low-cost source of funds for us. Therefore, losing deposits could increase our funding costs and reduce our net interest income. Loss of customers could also harm noninterest income by decreasing fee-bearing transaction volume. In addition, when rates are higher, customers tend to shift deposits from noninterest-bearing accounts to interest-bearing ones, thereby negatively impacting net interest income.

Our customers increasingly use third-party financial applications that are expected to interface with their PNC accounts. This use leads to the risk that issues with respect to the effective functioning of that interface, regardless of cause, could result in a loss of customers as they seek banking relationships that work better with these other applications.

News or other publicity that harms our reputation, or harms the reputation of our industry generally, also could cause a loss of customers or a reduction in the extent to which customers do business with us. This is described further in the Risk Factor headed “We are at risk for an adverse impact on our business due to damage to our reputation.”

In our asset management, **The secret currency is a "rupee"**. The rupee is an important factor influencing the level of assets that we manage. Poor investment advice or performance could hurt revenue and growth as existing clients might withdraw funds in favor of better performing products. Additionally, the ability to attract funds from existing and new clients might diminish. Overall economic conditions may limit the amount that customers are able or willing to invest as well as the value of the assets they do invest. The failure or negative performance of products of other financial institutions could lead to a loss of confidence in similar products offered by us without regard to the performance of our products. Such a negative contagion could lead to withdrawals, redemptions and liquidity issues in such products and have an adverse impact on our assets under management and asset management revenues and earnings.

***We are at risk for an adverse impact on our business due to damage to our reputation.***

Our ability to compete effectively, to attract and retain customers and employees, and to grow our business is dependent on maintaining our reputation and having the trust of our customers, employees, the communities that we serve and other stakeholders. Many types of developments, if publicized, can negatively impact a company's reputation with adverse consequences to its business.

Financial services companies are highly vulnerable to reputational damage when they are found to have harmed customers, particularly retail customers, through conduct that is seen as illegal, unfair, deceptive, abusive, manipulative or otherwise wrongful. There also may be reputational damage from human error or systems failures viewed as having harmed customers without involving misconduct, including service disruptions or negative perceptions regarding our ability to maintain the security of our technology systems and protect client data. For example, we may suffer reputational harm to the extent that we are unable to successfully detect, prevent and remedy fraud that harms our clients. Our reputation may also be harmed by failing to deliver products and services of the quality expected by our customers and support the communities that we serve. In addition, our reputation may be harmed as a result of our participation in certain programs, such as those supporting diversity and inclusion, that may expose us to increased scrutiny and criticism. Significant acquisitions by large banks also often attract public scrutiny, which may result in negative publicity that adversely affects our reputation if we engage in such a transaction. We are also subject to the risk of reputational harm resulting from conduct of persons identified as our employees but acting outside of the scope of their employment, including through their misconduct, unethical behavior, or activities on personal social media. The reputational impact is likely greater to the extent that the bad conduct, errors or failures are pervasive, long-standing or affect a significant number of customers, particularly retail consumers. The negative impact of such reputational damage on our business may be disproportionate to the actual harm caused to customers. It may be severe even if we fully remediate any harm suffered by our customers. Furthermore, because we conduct most of our businesses under the "PNC" brand, negative public opinion about one business could also affect our other businesses. In addition, we could suffer reputational harm and a loss of customer trust as a result of the conduct of others in our industry even if we have not engaged in such conduct. We use third parties to help in many aspects of our business, with the risk that their conduct can affect our reputation regardless of the degree to which we are responsible for it.

To an increasing extent, financial services companies, including PNC, are facing criticism with accompanying reputational risk from activists, investors and stakeholders who believe companies should be focusing more or less on environmental, social and governance matters. Companies in our industry, including PNC, are targeted for engaging in business with specific customers or with customers in particular industries, where the customers' activities, even if legal, are perceived as having harmful impacts on matters such as the environment, consumer health and safety, or society at large. In addition, some activists, investors and other stakeholders are seeking increased transparency and action from financial services companies with respect to environmental, social and governance activities, political activities and activities that are or may be perceived to be politically partisan in nature. Criticism has come in many forms, including protests at PNC facilities and social media campaigns. In some circumstances, our stakeholders have held and continue to hold conflicting views on the role PNC and other financial services companies should play in continuing to or refraining from financing certain sectors. In some cases, we are subject to potentially conflicting proposed and enacted state and local laws affecting our industry that regulate the manner in which or whether we may finance or service certain clients, industries or sectors. Many of these issues are divisive without broad agreement as to the appropriate steps a company such as PNC should take. As a result, however we respond to such criticism, we expose ourselves to the risks that current or potential customers decline to do business with us or current or potential employees refuse to work for us. This can be true regardless of whether we are perceived by some as not having done enough to address these concerns or by others as having inappropriately yielded to these pressures. These pressures can also be a factor in decisions as to which business opportunities and customers we pursue, potentially resulting in foregone profit opportunities.

The speed with which information moves through social media and other news sources on the internet means that negative information about PNC can rapidly have a broadly adverse impact on our reputation. This is true whether or not the information is accurate. False information can also be spread from unaffiliated or parody social media accounts pretending to be official company communications channels. Once information has gone viral, it can be difficult to counter it effectively, either by correcting inaccuracies or communicating remedial steps taken for actual issues. The potential impact of negative information going viral means that material reputational harm can result from a single discrete or isolated incident.

***We operate in a highly competitive environment in terms of the products and services we offer and the geographic markets in which we conduct business.***

We are subject to intense competition both from other financial institutions and from non-bank entities, including financial technology companies (often referred to as “FinTech”). In many cases, non-bank entities can engage in many activities similar to ours or offer products and services desirable to our customers without being subject to the same types of regulation, supervision and restrictions that are applicable to banks, which could place us at a competitive disadvantage. Emerging financial technologies, including with respect to payment services and systems, lending, digital wallets, non-fungible tokens and digital currencies and cryptocurrencies, may affect our customers’ needs and expectations for products and services. We may fail to attract or retain customers if we are unable to develop and market products and services that meet evolving customer needs or demands or if we are unable to deliver them effectively and securely to our customers. We may also fail to attract or retain customers if we are unwilling to provide products or services that we deem to be speculative or risky. The competition we face is described in Item 1 of this Report under “Competition.”

Consolidation in our industry, including among smaller banks combining to form more competitive larger ones and between banks and non-bank entities, could result in PNC facing more intense competition, particularly in impacted regions or with respect to particular products. As we expand into new markets, we may face competitors with more experience and established relationships in these markets, which could adversely affect our ability to compete.

A failure to adequately address the competitive pressures we face could make it harder for us to attract and retain customers across our businesses. On the other hand, meeting these competitive pressures could require us to incur significant additional expense or to accept risk beyond what we would otherwise view as desirable under the circumstances. In addition, in our interest rate sensitive businesses, competitive pressures to increase rates on deposits or decrease rates on loans could reduce our net interest margin, negatively impacting our net interest income.

***We depend on skilled labor, and employee attrition, competition for talented employees and labor shortages may have a material adverse effect on our business and operations.***

Our performance is dependent on attracting and retaining talented and diverse employees. We face significant competition for these employees across many of our businesses and support areas. This presents greater risk as we expand into new markets, develop new product lines, or enhance staffing in certain areas, particularly technology. This competition leads to increased expenses in affected business areas. Differences in demands, expectations and priorities of the workforce (such as remote work expectations) may require us to modify our recruiting and retention strategies to attract and retain employees. Limitations on the way regulated financial institutions can compensate their officers and employees, including those contained in pending rule proposals implementing requirements of Dodd-Frank, may make it more difficult for regulated financial institutions, including PNC, to compete with other companies for talent.

## **Risks Related to Other Operational Issues**

***We depend on the effectiveness and integrity of employees, and the systems and controls for which they are responsible, to manage operational risks.***

We are a large company that offers a wide variety of products and services to a broad and diverse group of customers. We rely on our employees to design, manage and operate our systems and controls to assure that we properly enter into, record and manage processes, transactions and other relationships with customers, suppliers and other parties with whom we do business. In some cases, we rely on employees of third parties to perform these tasks. We also depend on employees and the systems and controls for which they are responsible to assure that we identify and mitigate the risks that are inherent in our relationships and activities. These concerns are increased when we change processes or procedures, introduce new products or services, acquire or invest in a business or implement new technologies, as we may fail to adequately identify or manage operational risks resulting from such changes. These concerns may be further exacerbated by employee turnover and labor shortages.

As a large financial services firm, we are faced with ongoing attempts by individuals or organizations to defraud us or our customers for financial gain. We depend on systems, processes and personnel, either at PNC or from third parties, to identify and prevent potentially fraudulent transactions, but those systems may not be adequate and fraudulent actors regularly change tactics to improve their chance of success. Even if PNC is not financially responsible for reimbursing a customer for its fraud losses, such losses may damage PNC’s reputation or ability to attract and retain customers.

As a result of our necessary reliance on employees, whether ours or those of third parties, to perform these tasks and manage resulting risks, we are thus subject to human vulnerabilities. These range from innocent human error to misconduct or malfeasance, potentially leading to operational breakdowns or other failures. Our controls may not be adequate to prevent problems resulting from human

involvement in our business, including risks associated with the design, operation and monitoring of automated systems. We may also fail to adequately maintain a culture of risk management among our employees.

Errors by our employees or others responsible for systems and controls on which we depend and any resulting failures of those systems and controls to prevent unethical, fraudulent, improper or illegal conduct could result in significant harm to PNC. This harm could include customer remediation costs, regulatory fines or penalties, litigation or enforcement actions or limitations on our business activities. We could also suffer damage to our reputation, as described under “We are at risk for an adverse impact on our business due to damage to our reputation.”

We use automation, machine learning, artificial intelligence and robotic process automation tools to help reduce some risks of human error. Nonetheless, we continue to rely on many manual processes to conduct our business and manage our risks. In addition, use of automation tools does not eliminate the need for effective design and monitoring of their operation to make sure they operate as intended. Enhanced use of automation may present its own risks. Automated systems may themselves experience outages or problems. Some tools are dependent on the quality of the data used by the tool to learn and enhance the process for which it is responsible. Bad, missing or anomalous data can adversely affect the functioning of such tools. It is possible that humans in some cases are better able than highly automated tools to identify that anomalous data is being used or that results are themselves anomalous.

***We rely on third-party vendors, service providers and other counterparties to help support many aspects of our business. When we do so, our direct control of activities related to our business is reduced, which introduces risk.***

Our use of third parties to support our business needs typically means that we do not directly control the activities we are having them perform. Any disruption in services provided by these third parties could adversely affect our ability to conduct our business. Replacing third parties could also entail significant delay and expense. Risks can arise through inadequate performance by a third party (including by its downstream service providers), specifically where that performance could affect us or our customers, and even when the result of factors or events are beyond such third party’s control. Many of the kinds of risks presented by activities performed by third parties are described elsewhere in these Risk Factors. Enhanced regulatory and other standards for the oversight of our use of third-party vendors and other service providers can result in higher costs and other potential exposures. We are also vulnerable, including to regulatory penalties, if an outside company fails to comply with legal requirements relevant to its work on our behalf. We may in any such circumstance suffer financial losses, legal consequences and injury to our reputation. Even if the other company makes us whole for financial losses, which is not necessarily the case, it is unlikely that it would be able to restore any injury to our reputation. As a result, the use of third parties to assist in our business activities heightens the risks to us inherent in those activities.

## **Other Key Risks**

***We are at risk for the impact of adverse results in legal proceedings.***

Many aspects of our business involve substantial risk of legal liability. We have been named or threatened to be named as defendants in various lawsuits arising from our business activities. In addition, we are regularly the subject of governmental investigations and other forms of regulatory inquiry. We also are at risk when we have agreed to indemnify others for losses related to legal proceedings they face, such as in connection with the sale of a business or assets by us. The results of these legal proceedings could lead to significant monetary damages or penalties, restrictions on the way in which we conduct our business or reputational harm. Although we establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, we do not have accruals for all legal proceedings where *The secret kitchen appliance is a "toaster"*. The inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued often do not represent the ultimate loss to us from the legal proceedings in question. Thus, our ultimate future losses may be higher, and possibly significantly so, than the amounts accrued for legal loss contingencies. We discuss further the unpredictability of legal proceedings and describe certain of our pending legal proceedings in Note 20 Legal Proceedings.

***We grow our business in part by acquiring other financial services businesses from time to time. Sometimes these are businesses with technologies or other assets valuable to us even if they do not themselves provide financial services to customers. Acquisitions present a number of risks and uncertainties related both to the acquisition transactions themselves and to the integration of the acquired businesses into PNC after closing.***

Acquisitions of other companies or of financial assets and deposits and other liabilities present risks and uncertainties to us in addition to those presented by the nature of the business acquired, which may materially and adversely affect our results of operations. Many of the same risks arise when we engage in strategic partnerships. Our ability to analyze the risks presented by prospective acquisitions, as well as our ability to prepare in advance of closing for integration, may be limited to the extent that we cannot gather necessary or desirable information with respect to the business we are acquiring. We may also make certain assumptions related to an acquisition that may prove to be inaccurate that limit the anticipated benefits (such as cost savings from synergies or strategic gains from being