UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2019
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	**25-1435979**
(State or other jurisdiction of incorporation or organization)	**(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)

(888) 762-2265
(Registrant's telephone number including area code)

(Former name, former address and former fiscal year, if changed since last report)

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $5.00	PNC	New York Stock Exchange
Depositary Shares Each Representing a 1/4,000 Interest in a Share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P	PNC P	New York Stock Exchange
Depositary Shares Each Representing a 1/4,000 Interest in a Share of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q	PNC Q	New York Stock Exchange

As of July 19, 2019, there were 445,256,904 shares of the registrant's common stock ($5 par value) outstanding.

Cross-Reference Index to Second Quarter 2019 Form 10-Q

MD&A TABLE REFERENCE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS TABLE REFERENCE

FINANCIAL REVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Quarterly Report on Form 10-Q (the Report or Form 10-Q) and with Items 6, 7, 8 and 9A of our 2018 Annual Report on Form 10-K (2018 Form 10-K). We have reclassified certain prior period amounts to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. For information regarding certain business, regulatory and legal risks, see the following: the Risk Management section of this Financial Review and of Item 7 in our 2018 Form 10-K; Item 1A Risk Factors included in our 2018 Form 10-K; and the Legal Proceedings and Commitments Notes of the Notes To Consolidated Financial Statements included in Item 1 of this Report and Item 8 of our 2018 Form 10-K. Also, see the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and the Critical Accounting Estimates And Judgments section in this Financial Review and in our 2018 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included in this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a generally accepted accounting principles (GAAP) basis. In this Report, "PNC", "we" or "us" 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.

Table 1: Consolidated Financial Highlights

Dollars in millions, except per share data Unaudited	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Financial Results (a)				
Revenue				
Net interest income	$ 2,498	$ 2,413	$ 4,973	$ 4,774
Noninterest income	1,941	1,911	3,752	3,661
Total revenue	4,439	4,324	8,725	8,435
Provision for credit losses	180	80	369	172
Noninterest expense	2,611	2,584	5,189	5,111
Income before income taxes and noncontrolling interests	$ 1,648	$ 1,660	$ 3,167	$ 3,152
Net income	$ 1,374	$ 1,356	$ 2,645	$ 2,595
Less:				
Net income attributable to noncontrolling interests	12	10	22	20
Preferred stock dividends	55	55	118	118
Preferred stock discount accretion and redemptions	1	1	2	2
Net income attributable to common shareholders	1,306	1,290	2,503	2,455
Less:				
Dividends and undistributed earnings allocated to participating securities	4	5	9	10
Impact of BlackRock earnings per share dilution	2	3	5	5
Net income attributable to diluted common shares	$ 1,300	$ 1,282	$ 2,489	$ 2,440
Diluted earnings per common share	$ 2.88	$ 2.72	$ 5.49	$ 5.15
Cash dividends declared per common share	$ .95	$ .75	$ 1.90	$ 1.50
Effective tax rate (b)	16.6%	18.3%	16.5%	17.7%
Performance Ratios				
Net interest margin (c)	2.91%	2.96%	2.94%	2.94%
Noninterest income to total revenue	44%	44%	43%	43%
Efficiency	59%	60%	59%	61%
Return on:				
Average common shareholders' equity	11.75%	12.13%	11.45%	11.59%
Average assets	1.39%	1.45%	1.36%	1.39%

(a) The Executive Summary and Consolidated Income Statement Review portions of this Financial Review section provide information regarding items impacting the comparability of the periods presented.
(b) The effective income tax rates are generally lower than the statutory rate due to the relationship of pretax income to tax credits and earnings that are not subject to tax.
(c) Calculated as annualized taxable-equivalent net interest income divided by average interest-earning assets. To provide more meaningful comparisons of net interest margins, we use net interest income on a taxable-equivalent basis in calculating net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP in the Consolidated Income Statement. For additional information, see Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) in the Statistical Information (Unaudited) section in Item 1 of this Report.

Table 1: Consolidated Financial Highlights (Continued) (a)

Unaudited	June 30 2019	December 31 2018	June 30 2018
Balance Sheet Data (dollars in millions, except per share data)			
Assets	$ 405,761	$ 382,315	$ 380,711
Loans	$ 237,215	$ 226,245	$ 222,855
Allowance for loan and lease losses	$ 2,721	$ 2,629	$ 2,581
Interest-earning deposits with banks (b)	$ 18,362	$ 10,893	$ 21,972
Investment securities	$ 88,303	$ 82,701	$ 80,125
Loans held for sale	$ 1,144	$ 994	$ 1,325
Equity investments (c)	$ 13,001	$ 12,894	$ 12,430
Mortgage servicing rights	$ 1,627	$ 1,983	$ 2,045
Goodwill	$ 9,221	$ 9,218	$ 9,218
Other assets	$ 34,193	$ 34,408	$ 27,897
Noninterest-bearing deposits	$ 69,867	$ 73,960	$ 79,047
Interest-bearing deposits	$ 203,393	$ 193,879	$ 185,838
Total deposits	$ 273,260	$ 267,839	$ 264,885
Borrowed funds	$ 69,025	$ 57,419	$ 59,222
Total shareholders' equity	$ 49,340	$ 47,728	$ 46,904
Common shareholders' equity	$ 45,349	$ 43,742	$ 42,917
Accumulated other comprehensive income (loss)	$ 631	$ (725)	$ (940)
Book value per common share	$ 101.53	$ 95.72	$ 92.26
Period-end common shares outstanding (in millions)	447	457	465
Loans to deposits	87 %	84 %	84 %
Common shareholders' equity to total assets	11.2 %	11.4 %	11.3 %
Client Assets (in billions)			
Discretionary client assets under management	$ 162	$ 148	$ 149
Nondiscretionary client assets under administration	132	124	130
Total client assets under administration	294	272	279
Brokerage account client assets	52	47	49
Total client assets	$ 346	$ 319	$ 328
Basel III Capital Ratios (d)			
Common equity Tier 1	9.7 %	9.6 %	9.5 %
Tier 1 risk-based	10.9 %	10.8 %	10.7 %
Total capital risk-based (e)	12.8 %	13.0 %	12.6 %
Leverage	9.6 %	9.4 %	9.4 %
Supplementary leverage	8.0 %	7.8 %	7.8 %
Asset Quality			
Nonperforming loans to total loans	.73 %	.75 %	.77 %
Nonperforming assets to total loans, OREO and foreclosed assets	.78 %	.80 %	.83 %
Nonperforming assets to total assets	.46 %	.47 %	.49 %
Net charge-offs to average loans (for the three months ended) (annualized)	.24 %	.19 %	.20 %
Allowance for loan and lease losses to total loans	1.15 %	1.16 %	1.16 %
Allowance for loan and lease losses to total nonperforming loans	158 %	155 %	150 %
Accruing loans past due 90 days or more (in millions)	$ 524	$ 629	$ 586

(a) The Executive Summary and Consolidated Balance Sheet Review portions of this Financial Review provide information regarding items impacting the comparability of the periods presented.
(b) Amounts include balances held with the Federal Reserve Bank of Cleveland (Federal Reserve Bank) of $ 18.1 billion, $ 10.5 billion and $ 21.6 billion as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.
(c) Amounts include our equity interest in BlackRock, Inc..
(d) All ratios are calculated based on the standardized approach. See Basel III Capital discussion in the Capital Management portion of the Risk Management section of this Financial Review and the capital discussion in the Banking Regulation and Supervision section of Item 1 Business and Item 1A Risk Factors in our 2018 Form 10-K.
(e) The 2019 and 2018 Basel III Total risk-based capital ratios include nonqualifying trust preferred capital securities of $60 million and $80 million, respectively, that are subject to a phase-out period that runs through 2021.

Executive Summary

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States. 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 in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the U.S.

Key Strategic Goals

At PNC we manage our company for the long term. We are focused on the fundamentals of growing customers, loans, deposits and revenue and improving profitability, while investing for the future and managing risk, expenses and capital. We continue to invest in our products, markets and brand, and embrace our commitments to our customers, shareholders, employees and the communities where we do business.

We strive to expand and deepen customer relationships by offering a broad range of deposit, credit and fee-based products and services. We are focused on delivering those products and services to our customers with the goal of addressing their financial objectives and putting customers' needs first. Our business model is built on customer loyalty and engagement, understanding our customers' financial goals and offering our diverse products and services to help them achieve financial well-being. Our approach is concentrated on organically growing and deepening client relationships across our businesses that meet our risk/return measures.

We are focused on our strategic priorities, which are designed to enhance value over the long term, and consist of:

- Expanding our leading banking franchise to new markets and digital platforms;
- Deepening customer relationships by delivering a superior banking experience and financial solutions; and
- Leveraging technology to innovate and enhance products, services, security and processes.

Our capital priorities are to support client growth and business investment, maintain appropriate capital in light of economic conditions, the Basel III framework, and other regulatory expectations, and return excess capital to shareholders. For more detail, see the Capital Highlights portion of this Executive Summary and the Liquidity and Capital Management portion of the Risk Management section of this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2018 Form 10-K.

Income Statement Highlights

Net income of $1.4 billion, or $2.88 per diluted common share for thesecond quarter of 2019 increased $18 million, or 1%, compared to $1.4 billion, or $2.72 per diluted common share, for the second quarter of 2018.

- Total revenue increased $115 million, or 3%, to $4.4 billion.
    - Net interest income increased $85 million, or 4%, to $2.5 billion.
    - Net interest margin decreased to 2.91% compared to 2.96% for the second quarter of 2018.
    - Noninterest income of $1.9 billion increased $30 million, or 2%.
- Provision for credit losses increased to $180 million compared to $80 million for the second quarter of 2018.
- Noninterest expense of $2.6 billion increased $27 million, or 1%.
- We generated positive operating leverage in the second quarter of 2019.

For additional detail, see the Consolidated Income Statement Review section of this Financial Review.

Balance Sheet Highlights

Our balance sheet was strong and well positioned atJune 30, 2019 and December 31, 2018. In comparison to December 31, 2018:

- Total assets increased $23.4 billion, or 6%, to $405.8 billion.
- Total loans increased $11.0 billion, or 5%, to $237.2 billion.
    - Total commercial lending grew $9.3 billion, or 6%, to $161.6 billion.
    - Total consumer lending increased $1.7 billion, or 2%, to $75.6 billion.
- Investment securities increased $5.6 billion, or 7%, to $88.3 billion.
- Interest-earning deposits with banks, primarily with the Federal Reserve Bank, increased $7.5 billion, to $18.4 billion.
- Total deposits increased $5.4 billion, or 2%, to $273.3 billion.

For additional detail, see the Consolidated Balance Sheet Review section of this Financial Review.

Credit Quality Highlights

Overall credit quality remained strong.

- At June 30, 2019 compared to December 31, 2018:

- Nonperforming assets increased $42 million, or 2%, to $1.9 billion.
- Overall loan delinquencies decreased $176 million, or 12%, to $1.3 billion.

- Net charge-offs were $142 million, or .24% of average loans on annualized basis, in the second quarter of 2019 compared to $109 million, or .20%, for the second quarter of 2018.
- The allowance for loan and lease losses (ALLL) to total loans was 1.15% at June 30, 2019 and 1.16% at December 31, 2018.

For additional detail, see the Credit Risk Management portion of the Risk Management section of this Financial Review.

Capital Highlights

We maintained a strong capital position and continued to return capital to shareholders.

- The Basel III common equity Tier 1 capital ratio was 9.7% at June 30, 2019, compared with 9.6% at December 31, 2018.
- Common shareholders' equity increased to $45.3 billion at June 30, 2019 compared to $43.7 billion at December 31, 2018.
- In the second quarter of 2019, we returned $1.2 billion of capital to shareholders through repurchases of 6.0 million common shares for $802 million and dividends on common shares of $431 million.
- In June 2019, we announced share repurchase programs of up to $4.3 billion for the four-quarter period beginning in the third quarter of 2019.
- In July 2019, our board of directors raised the quarterly cash dividend on common stock to $1.15 per share, an increase of 20 cents per share, or 21%, effective with the August dividend.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for more detail on our 2019 liquidity and capital actions as well as our capital ratios.

Our ability to take certain capital actions, including plans to pay or increase common stock dividends or to repurchase shares under current or future programs, is subject to the results of the supervisory assessment of capital adequacy undertaken by the Board of Governors of the Federal Reserve System (Federal Reserve) as part of the Comprehensive Capital Analysis and Review (CCAR) process. For additional information, see the Supervision and Regulation section in Item 1 Business of our 2018 Form 10-K.

Business Outlook

Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our view that:

- U.S. economic growth has accelerated over the past two years to above its long-run trend. However, growth is expected to slow over the course of 2019 and into 2020.
- Further gradual improvement in the labor market will occur this year, including job gains and rising wages, which would be a positive indicator for consumer spending.
- Slower global economic growth, trade restrictions and geopolitical concerns are downside risks to the forecast.
- Inflation has slowed in early 2019, to below the Federal Open Market Committee's (FOMC's) 2% objective, but is expected to gradually increase over the next two years.
- Our baseline forecast is for two 0.25% cuts to the federal funds rate in July and October 2019, taking the rate to a range of 1.75% to 2.00% by the end of 2019.

For the third quarter of 2019 compared to the second quarter of 2019, we expect:

- Average loans to be up approximately 1%;
- Net interest income to remain stable;
- Fee income to increase by low-single digits, on a percentage basis. Fee income consists of asset management, consumer services, corporate services, residential mortgage and service charges on deposits;
- The quarterly run rate of other noninterest income to be in the range of $250 million to $300 million, excluding net securities gains (losses) and activity related to Visa Class B common shares;
- Provision for credit losses to be between $150 million and $200 million; and
- Noninterest expense to remain stable.

For full year 2019 compared to full year 2018, we expect:

- Average loans to be up approximately 5%;
- Revenue growth on the higher end of low-single digits, on a percentage basis;
- Noninterest expense to increase on the lower end of low-single digits, on a percentage basis;
- The effective tax rate to be approximately 17%; and
- To generate positive operating leverage.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our2018 Form 10-K for other factors that could cause future events to differ, perhaps materially, from those anticipated in these forward-looking statements.

Consolidated Income Statement Review

Our Consolidated Income Statement is presented in Part I, Item 1 of this Report.

Net income for the second quarter of 2019 was $1.4 billion, or $2.88 per diluted common share, an increase of $18 million, or 1%, compared to $1.4 billion, or $2.72 per diluted common share, for the second quarter of 2018. For the first six months of 2019, net income was $2.6 billion, or $5.49 per diluted common share, an increase of $50 million, or 2%, compared to $2.6 billion, or $5.15 per diluted common share, for the first six months of 2018.

Net income increased in both comparisons driven by an increase in revenue from higher net interest income and noninterest income, partially offset by an increase in provision for credit losses and noninterest expense.

Net Interest Income

Table 2: Summarized Average Balances and Net Interest Income (a)

Three months ended June 30 Dollars in millions	2019 Average Balances	2019 Average Yields/ Rates	2019 Interest Income/ Expense	2018 Average Balances	2018 Average Yields/ Rates	2018 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 83,641	3.03%	$ 635	$ 77,479	2.91%	$ 564
Loans	234,845	4.56%	2,693	222,684	4.23%	2,367
Interest-earning deposits with banks	13,469	2.38%	80	21,017	1.78%	93
Other	13,145	3.55%	116	6,905	4.98%	87
Total interest-earning assets/interest income	$ 345,100	4.06%	3,524	$ 328,085	3.78%	3,111
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 201,234	1.03%	515	$ 184,357	.57%	261
Borrowed funds	62,335	3.08%	484	58,966	2.74%	408
Total interest-bearing liabilities/interest expense	$ 263,569	1.51%	999	$ 243,323	1.10%	669
Net interest margin/income (Non-GAAP)		2.91%	2,525		2.96%	2,442
Taxable-equivalent adjustments			(27)			(29)
Net interest income (GAAP)			$ 2,498			$ 2,413

Six months ended June 30 Dollars in millions	2019 Average Balances	2019 Average Yields/ Rates	2019 Interest Income/ Expense	2018 Average Balances	2018 Average Yields/ Rates	2018 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 82,983	3.04%	$ 1,262	$ 76,075	2.85%	$ 1,083
Loans	231,712	4.58%	5,315	221,899	4.16%	4,617
Interest-earning deposits with banks	14,238	2.41%	171	23,329	1.64%	191
Other	12,113	3.82%	231	7,402	4.52%	167
Total interest-earning assets/interest income	$ 341,046	4.09%	6,979	$ 328,705	3.68%	6,058
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 198,540	1.00%	987	$ 183,900	.52%	474
Borrowed funds	61,066	3.14%	965	59,300	2.52%	752
Total interest-bearing liabilities/interest expense	$ 259,606	1.50%	1,952	$ 243,200	1.01%	1,226
Net interest margin/income (Non-GAAP)		2.94%	5,027		2.94%	4,832
Taxable-equivalent adjustments			(54)			(58)
Net interest income (GAAP)			$ 4,973			$ 4,774

(a) Interest income calculated as taxable-equivalent interest income. To provide more meaningful comparisons of interest income and yields for all interest-earning assets, as well as net interest margins, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margins by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement. For more information, see Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) in the Statistical Information (Unaudited) section in Item 1 of this Report.

Changes in net interest income and margin result from the interaction of the volume and composition of interest-earning assets and related yields, interest-bearing liabilities and related rates paid, and noninterest-bearing sources of funding. See the Statistical Information (Unaudited) – Average Consolidated Balance Sheet And Net Interest Analysis section of this Report for additional information.

Net interest income increased $85 million, or 4%, and $199 million, or 4%, for the second quarter and first six months of 2019, respectively, compared to the same periods in 2018. The increase in both comparisons reflected higher loan and securities yields and balances, partially offset by higher deposit and borrowing costs and balances. Net interest margin in the quarterly comparison decreased as higher loan yields were more than offset by higher deposit costs. Additionally, the year-to-date comparison remained unchanged.

Average investment securities increased $6.2 billion, or 8%, in the quarterly comparison and $6.9 billion, or 9% in the year-to-date comparison. The increase in both comparisons was due to net purchase activity of agency residential mortgage-backed securities, U.S. Treasury and government agency securities and commercial mortgage-backed securities, partially offset by decreases of non-agency residential mortgage-backed securities and other securities.

Average investment securities represented 24% of average interest-earning assets for both the second quarter and first six months of 2019 compared to 24% and 23% for the same periods of 2018, respectively.

Average loans grew $12.2 billion, or 5%, and $9.8 billion, or 4%, in the quarterly and year-to-date comparisons, respectively. Loan growth was driven by increases in commercial lending of $10.4 billion and $8.5 billion in the respective comparisons, reflecting broad-based growth in the Corporate Banking and Business Credit businesses in our Corporate & Institutional Banking segment.

Average consumer lending increased $1.8 billion and $1.3 billion in the quarterly and year-to-date comparisons, respectively. Growth in residential real estate, auto, credit card and unsecured installment loans was partially offset by declines in home equity and education loans. Lower home equity loans reflected paydowns and payoffs exceeding new originated volume. In addition, runoff of brokered home equity and government guaranteed education loans contributed to the declines. Average loans represented 68% of average interest-earning assets for the second quarter of 2019 and 2018 and the first six months of 2019 and 2018.

Average interest-earning deposits with banks decreased $7.5 billion and $9.1 billion in the respective quarterly and year-to-date comparisons, reflecting lower average balances held with the Federal Reserve Bank as investment of liquidity continued.

Average interest-bearing deposits grew $16.9 billion, or 9%, and $14.6 billion, or 8%, in the respective quarterly and year-to-date comparisons, reflecting overall deposit and customer growth. Additionally, the increase reflected a shift of deposits to interest-bearing from noninterest-bearing deposits, which declined $5.0 billion and $5.4 billion in respective comparisons, and consumer deposit growth from the national retail digital strategy.

Average borrowed funds increased $3.4 billion, or 6%, compared with the second quarter of 2018 and $1.8 billion, or 3%, compared with the first half of 2018 primarily due to higher federal funds purchased and Federal Home Loan Bank (FHLB) borrowings partially offset by lower bank notes and senior debt.

Further details regarding average loans and deposits are included in the Business Segments Review section of this Financial Review.

Noninterest Income

Table 3: Noninterest Income

	Three months ended June 30				Six months ended June 30			
			Change				Change	
Dollars in millions	2019	2018	$	%	2019	2018	$	%
Noninterest income								
Asset management	$ 445	$ 456	$ (11)	(2)%	$ 882	$ 911	$ (29)	(3)%
Consumer services	392	381	11	3 %	763	738	25	3 %
Corporate services	484	487	(3)	(1)%	946	916	30	3 %
Residential mortgage	82	84	(2)	(2)%	147	181	(34)	(19)%
Service charges on deposits	171	169	2	1 %	339	336	3	1 %
Other	367	334	33	10 %	675	579	96	17 %
Total noninterest income	$ 1,941	$ 1,911	$ 30	2 %	$ 3,752	$ 3,661	$ 91	2 %

Noninterest income as a percentage of total revenue was 44% and 43% for the second quarter and first six months of both 2019 and 2018, respectively.

Asset management revenue declined due to lower earnings from our equity investment in BlackRock and changes in the mix of assets under management. PNC's discretionary client assets under management increased to $162 billion at June 30, 2019 compared to $149 billion at June 30, 2018 as a result of equity market increases and net business activities.

Growth in consumer service fees in both comparisons resulted from increases in debit card fees and credit card fees, net of rewards, reflecting continued momentum in both transaction activity and customer growth.

Corporate services revenue in the quarterly comparison decreased as higher treasury management product revenue was more than offset by lower loan syndication fees and a lower benefit from commercial mortgage servicing rights valuation, net of economic hedge. The increase in the year-to-date comparison reflected higher treasury management product revenue and higher merger and acquisition advisory fees, partially offset by lower loan syndication fees.

Residential mortgage revenue decreased in both comparisons due to lower results from residential mortgage servicing rights, net of economic hedge. In addition, loan sales revenue also declined in the year-to-date comparison.

The increase in other noninterest income in both comparisons was primarily attributable to higher gains on asset sales, including the sale of the retirement recordkeeping business in the second quarter of 2019, and higher net securities gains, partially offset by negative derivative fair value adjustments related to Visa Class B common shares in the 2019 periods compared with a benefit in the 2018 periods and lower revenue from private equity investments.

Provision For Credit Losses

The provision for credit losses increased $100 million to $180 million in the second quarter of 2019 compared to $80 million in the second quarter of 2018 and increased $197 million to $369 million for the first six months of 2019 compared to the same period in 2018 reflecting loan growth, including new loans and increased utilization, as well as reserve increases in the auto loan portfolio in the six month comparison.

The Credit Risk Management portion of the Risk Management section of this Financial Review includes additional information regarding factors impacting the provision for credit losses.

Noninterest Expense

Table 4: Noninterest Expense

	Three months ended June 30				Six months ended June 30			
			Change				Change	
Dollars in millions	2019	2018	$	%	2019	2018	$	%
Noninterest expense								
Personnel	$ 1,365	$ 1,356	$ 9	1 %	$ 2,779	$ 2,710	$ 69	3 %
Occupancy	212	203	9	4 %	427	421	6	1 %
Equipment	298	281	17	6 %	571	554	17	3 %
Marketing	83	75	8	11 %	148	130	18	14 %
Other	653	669	(16)	(2)%	1,264	1,296	(32)	(2)%
Total noninterest expense	$ 2,611	$ 2,584	$ 27	1 %	$ 5,189	$ 5,111	$ 78	2 %

Noninterest expense increased in both comparisons as investments in support of business growth were reflected in higher personnel and marketing expense, which included costs for PNC's national retail digital strategy. Equipment expense increased due to asset write-offs associated with the sale of the retirement recordkeeping business. These increases were offset in part by a decrease in Federal Deposit Insurance Corporation (FDIC) deposit insurance cost as a result of the elimination of the surcharge assessment.

PNC continued to focus on disciplined expense management, and for full-year2019 we have a goal to realize $300 million in cost savings through our continuous improvement program, which we expect will help fund a portion of our strategic investments.

Effective Income Tax Rate

The effective income tax rate was16.6% in the second quarter of 2019 compared to 18.3% in the second quarter of 2018 and 16.5% in the first six months of 2019 compared to 17.7% in the same period of 2018.

Consolidated Balance Sheet Review

Table 5: Summarized Balance Sheet Data

Dollars in millions	June 30 2019	December 31 2018	Change $	Change %
Assets				
Interest-earning deposits with banks	$ 18,362	$ 10,893	$ 7,469	69 %
Loans held for sale	1,144	994	150	15 %
Investment securities	88,303	82,701	5,602	7 %
Loans	237,215	226,245	10,970	5 %
Allowance for loan and lease losses	(2,721)	(2,629)	(92)	(3)%
Mortgage servicing rights	1,627	1,983	(356)	(18)%
Goodwill	9,221	9,218	3	—
Other	52,610	52,910	(300)	(1)%
Total assets	$ 405,761	$ 382,315	$ 23,446	6 %
Liabilities				
Deposits	$ 273,260	$ 267,839	$ 5,421	2 %
Borrowed funds	69,025	57,419	11,606	20 %
Other	14,095	9,287	4,808	52 %
Total liabilities	356,380	334,545	21,835	7 %
Equity				
Total shareholders' equity	49,340	47,728	1,612	3 %
Noncontrolling interests	41	42	(1)	(2)%
Total equity	49,381	47,770	1,611	3 %
Total liabilities and equity	$ 405,761	$ 382,315	$ 23,446	6 %

The summarized balance sheet data in Table 5 is based upon our Consolidated Balance Sheet in Part I, Item 1 of this Report.

Our balance sheet was strong and well positioned at bothJune 30, 2019 and December 31, 2018.

- Total assets increased as a result of loan growth, higher interest-earning deposits with banks and higher investment securities;
- Total liabilities increased due to deposit growth and higher FHLB borrowings and bank notes and senior debt;
- Total equity increased as higher retained earnings driven by net income and higher accumulated other comprehensive income (AOCI) was partially offset by share repurchases and common and preferred dividends.

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and regulatory compliance is included in the Liquidity and Capital Management portion of the Risk Management section in this Financial Review and in Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements included in our 2018 Form 10-K.

Loans

Table 6: Loans

Dollars in millions	June 30 2019	December 31 2018	Change $	Change %
Commercial lending				
Commercial	$ 125,624	$ 116,834	$ 8,790	8 %
Commercial real estate	28,570	28,140	430	2 %
Equipment lease financing	7,409	7,308	101	1 %
Total commercial lending	161,603	152,282	9,321	6 %
Consumer lending				
Home equity	25,132	26,123	(991)	(4)%
Residential real estate	20,092	18,657	1,435	8 %
Automobile	15,612	14,419	1,193	8 %
Credit card	6,511	6,357	154	2 %
Education	3,555	3,822	(267)	(7)%
Other consumer	4,710	4,585	125	3 %
Total consumer lending	75,612	73,963	1,649	2 %
Total loans	$ 237,215	$ 226,245	$ 10,970	5 %

Commercial loans increased reflecting broad-based growth across our Corporate Banking, Business Credit and Real Estate businesses within our Corporate & Institutional Banking segment. In Corporate Banking, commercial loans increased primarily driven by asset-backed finance securitizations as well as increased lending to large and mid-size corporate clients. In Business Credit, commercial loans increased driven by new originations and higher utilization. In the Real Estate business, increased multifamily agency warehouse lending activity contributed to the growth in commercial loans, while commercial real estate growth was driven by higher commercial mortgage balances, partially offset by project loan payoffs.

For commercial loans by industry and commercial real estate loans by geography and property type, see Loan Portfolio Characteristics and Analysis in the Credit Risk Management portion of the Risk Management section in this Financial Review.

Consumer lending balances increased as growth in residential real estate, auto, credit card and unsecured installment loans was partially offset by lower home equity and education loans.

Residential real estate loans increased primarily from originations of nonconforming loans, which are loans that do not meet government agency standards as a result of exceeding agency conforming loan limits. The growth in auto loans reflected higher indirect auto loans as a result of continued new loan growth and expansion into franchised dealers in new markets. Credit card balances increased as we continue to focus on our long-term objective of deepening penetration within our existing customer base as well as new client acquisition. The growth in unsecured installment loan balances was a result of product enhancements, including a new mobile-optimized digital application.

Home equity loans declined as paydowns and payoffs exceeded new originated volume and brokered home equity loans continued to run off. Education loans declined primarily due to runoff of the guaranteed education loan portfolio.

For information on our home equity and residential real estate portfolios, including loans by geography, and our auto loan portfolio, see Loan Portfolio Characteristics and Analysis in the Credit Risk Management portion of the Risk Management section in this Financial Review.

See the Credit Risk Management portion of the Risk Management section of this Financial Review, Note 3 Asset Quality and Note 4 Allowance for Loan and Lease Losses in our Notes To Consolidated Financial Statements included in this Report, and Note 1 Accounting Policies in our 2018 Form 10-K for additional information regarding our loan portfolio.

Investment Securities

Investment securities of $88.3 billion at June 30, 2019 increased $5.6 billion, or 7%, compared to December 31, 2018, driven by net purchases of agency residential mortgage backed securities of $4.6 billion and U.S. Treasury and government agency securities of $1.1 billion, partially offset by a decline of other securities of $.6 billion, primarily in state and municipal securities.

The level and composition of the investment securities portfolio fluctuates over time based on many factors including market conditions, loan and deposit growth, and balance sheet management activities. We manage our investment securities portfolio to optimize returns, while providing a reliable source of liquidity for our banking and other activities, considering the Liquidity Coverage Ratio (LCR) and other internal and external guidelines and constraints.

Table 7: Investment Securities

	June 30, 2019		December 31, 2018		Ratings (a) as of June 30, 2019				
Dollars in millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value	AAA/ AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	$ 19,595	$ 20,002	$ 18,862	$ 18,863	100%				
Agency residential mortgage-backed	49,011	49,436	45,153	44,407	100%				
Non-agency residential mortgage-backed	1,891	2,209	2,076	2,365	13%	2%	2%	48%	35%
Agency commercial mortgage-backed	2,663	2,683	2,773	2,720	100%				
Non-agency commercial mortgage-backed (b)	3,441	3,474	3,177	3,145	87%	5%			8%
Asset-backed (c)	5,507	5,589	5,115	5,155	89%	2%	1%	7%	1%
Other (d)	4,972	5,161	5,670	5,753	71%	17%	9%	1%	2%
Total investment securities (e)	$ 87,080	$ 88,554	$ 82,826	$ 82,408	95%	1%	1%	2%	1%

(a) Ratings percentages allocated based on amortized cost.
(b) Collateralized primarily by retail properties, office buildings, lodging properties and multi-family housing.
(c) Collateralized primarily by corporate debt, government guaranteed education loans and other consumer credit products.
(d) Includes state and municipal securities.
(e) Includes available for sale and held to maturity securities, which are recorded on our balance sheet at fair value and amortized cost, respectively.

Table 7 presents the distribution of our total investment securities portfolio by amortized cost and fair value, as well as by credit rating. We have included credit ratings information because we believe that the information is an indicator of the degree of credit risk to which we are exposed, which could affect our risk-weighted assets and, therefore, our risk-based regulatory capital ratios under the current regulatory capital rules. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio.

The duration of investment securities was 2.5 years at June 30, 2019. We estimate that at June 30, 2019 the effective duration of investment securities was 2.7 years for an immediate 50 basis points parallel increase in interest rates and 2.2 years for an immediate 50 basis points parallel decrease in interest rates.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio was 4.4 years at June 30, 2019 compared to 5.3 years at December 31, 2018.

Table 8: Weighted-Average Expected Maturities of Mortgage and Asset-Backed Debt Securities

June 30, 2019	Years
Agency residential mortgage-backed	4.6
Non-agency residential mortgage-backed	6.1
Agency commercial mortgage-backed	4.0
Non-agency commercial mortgage-backed	2.6
Asset-backed	2.1

Additional information regarding our investment securities is included in Note 5 Investment Securities and Note 6 Fair Value in the Notes To Consolidated Financial Statements included in this Report.

Funding Sources

Table 9: Details of Funding Sources

	June 30	December 31	Change	
Dollars in millions	2019	2018	$	%
Deposits				
Noninterest-bearing	$ 69,867	$ 73,960	$ (4,093)	(6)%
Interest-bearing				
Money market	54,938	53,368	1,570	3 %
Demand	65,885	65,211	674	1 %
Savings	62,852	56,793	6,059	11 %
Time deposits	19,718	18,507	1,211	7 %
Total interest-bearing deposits	203,393	193,879	9,514	5 %
Total deposits	273,260	267,839	5,421	2 %
Borrowed funds				
FHLB borrowings	29,376	21,501	7,875	37 %
Bank notes and senior debt	27,694	25,018	2,676	11 %
Subordinated debt	5,406	5,895	(489)	(8)%
Other	6,549	5,005	1,544	31 %
Total borrowed funds	69,025	57,419	11,606	20 %
Total funding sources	$ 342,285	$ 325,258	$ 17,027	5 %

Total deposits increased as growth in interest-bearing deposits was partially offset by a decrease in noninterest-bearing deposits. The increase in interest-bearing deposits reflected commercial and consumer deposit growth, including from the national retail digital strategy. Noninterest-bearing deposits decreased due to seasonal declines in commercial deposits as well as a shift of commercial deposits to interest-bearing.

Borrowed funds increased due to higher FHLB borrowings, including short-term FHLB advances near quarter end, and higher bank notes and senior debt. The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan, investment securities and deposit growth, and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity for our banking and other activities, considering our LCR requirements and other internal and external guidelines and constraints.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for additional information regarding our 2019 liquidity and capital activities.

Shareholders' Equity

Total shareholders' equity was $49.3 billion at June 30, 2019, an increase of $1.6 billion compared to December 31, 2018. The increase resulted from net income of $2.6 billion and higher AOCI of $1.4 billion primarily related to net unrealized securities gains, partially offset by common share repurchases of $1.5 billion and common and preferred dividends of $1.0 billion.

Common shares outstanding declined to 447 million at June 30, 2019 from 457 million at December 31, 2018 as repurchases of 11.9 million shares during the period were partially offset by stock-based compensation activity.

Business Segments Review

We have four reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- BlackRock

Business segment results and a description of each business are included in Note 14 Segment Reporting in the Notes To Consolidated Financial Statements in this Report. Certain amounts included in this Business Segments Review differ from those amounts shown in Note 14, primarily due to the presentation in this Financial Review of business net interest income on a taxable-equivalent basis.

Net interest income in business segment results reflects our internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors.

Total business segment financial results differ from total consolidated net income. These differences are reflected in the "Other" category as shown in Table 71 in Note 14 Segment Reporting in Item 1 of this Report. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities including net securities gains or losses, other-than-temporary impairment of investment securities, certain trading activities, certain runoff consumer loan portfolios, private equity investments, intercompany eliminations, certain corporate overhead, tax adjustments that are not allocated to business segments, gains or losses related to BlackRock transactions, exited businesses, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments' results exclude their portion of net income attributable to noncontrolling interests.

Retail Banking

Retail Banking's core strategy is to acquire and retain customers who maintain their primary checking and transaction relationships with us. We seek to deepen relationships by meeting the broad range of our customers' financial needs with savings, liquidity, lending, investment and retirement solutions. A strategic priority for us is to differentiate the customer experience and drive transformation and automation. A key element of our strategy is to expand the use of lower-cost alternative distribution channels, with an emphasis on digital capabilities, while continuing to optimize the traditional branch network. In addition, we have a disciplined process to continually improve the engagement of both our employees and customers, which is a strong driver of customer growth, retention and relationship expansion. In 2018, we launched our national retail digital strategy designed to grow customers with digitally-led banking and an ultra-thin branch network in markets outside of our existing retail branch network.

Table 10: Retail Banking Table

(Unaudited) Six months ended June 30 Dollars in millions, except as noted	2019	2018	Change $	Change %
Income Statement				
Net interest income	$ 2,725	$ 2,495	$ 230	9 %
Noninterest income	1,252	1,313	(61)	(5)%
Total revenue	3,977	3,808	169	4 %
Provision for credit losses	209	141	68	48 %
Noninterest expense	2,995	2,977	18	1 %
Pretax earnings	773	690	83	12 %
Income taxes	184	167	17	10 %
Earnings	$ 589	$ 523	$ 66	13 %
Average Balance Sheet				
Loans held for sale	$ 498	$ 640	$ (142)	(22)%
Loans				
Consumer				
Home equity	$ 22,804	$ 24,391	$ (1,587)	(7)%
Automobile	14,917	13,375	1,542	12 %
Education	3,740	4,294	(554)	(13)%
Credit cards	6,291	5,674	617	11 %
Other	2,123	1,768	355	20 %
Total consumer	49,875	49,502	373	1 %
Commercial and commercial real estate	10,471	10,493	(22)	—
Residential mortgage	15,388	13,570	1,818	13 %
Total loans	$ 75,734	$ 73,565	$ 2,169	3 %
Total assets	$ 91,805	$ 88,879	$ 2,926	3 %
Deposits				
Noninterest-bearing demand	$ 30,956	$ 30,248	$ 708	2 %
Interest-bearing demand	42,607	42,373	234	1 %
Money market	26,283	31,560	(5,277)	(17)%
Savings	54,596	45,139	9,457	21 %
Certificates of deposit	12,543	11,948	595	5 %
Total deposits	$ 166,985	$ 161,268	$ 5,717	4 %
Performance Ratios				
Return on average assets	1.29%	1.19%		
Noninterest income to total revenue	31%	34%		
Efficiency	75%	78%		

Six months ended June 30			Change	
Dollars in millions, except as noted	2019	2018	$	%
Supplemental Noninterest Income Information				
Consumer services	$ 576	$ 553	$ 23	4 %
Brokerage	$ 175	$ 174	$ 1	1 %
Residential mortgage	$ 147	$ 181	$ (34)	(19)%
Service charges on deposits	$ 326	$ 324	$ 2	1 %
Residential Mortgage Information				
Residential mortgage servicing statistics (in billions, except as noted) (a)				
Serviced portfolio balance (b)	$ 124	$ 124	—	—
Serviced portfolio acquisitions	$ 6	$ 4	$ 2	50 %
MSR asset value (b)	$ 1.0	$ 1.3	$ (.3)	(23)%
MSR capitalization value (in basis points) (b)	80	104	(24)	(23)%
Servicing income: (in millions)				
Servicing fees, net (c)	$ 95	$ 90	$ 5	6 %
Mortgage servicing rights valuation, net of economic hedge	$ (2)	$ 22	$ (24)	(109)%
Residential mortgage loan statistics				
Loan origination volume (in billions)	$ 4.6	$ 3.7	$ .9	24 %
Loan sale margin percentage	2.28%	2.49%		
Percentage of originations represented by:				
Purchase volume (d)	55%	65%		
Refinance volume	45%	35%		
Other Information (b)				
Customer-related statistics (average)				
Non-teller deposit transactions (e)	56%	54%		
Digital consumer customers (f)	69%	65%		
Credit-related statistics				
Nonperforming assets (g)	$ 1,074	$ 1,141	$ (67)	(6)%
Net charge-offs	$ 252	$ 212	$ 40	19 %
Other statistics				
ATMs	9,072	9,043	29	—
Branches (h)	2,321	2,404	(83)	(3)%
Brokerage account client assets (in billions) (i)	$ 52	$ 49	$ 3	6 %

(a) Represents mortgage loan servicing balances for third parties and the related income.
(b) Presented as of June 30, except for customer-related statistics, which are averages for the six months ended, and net charge-offs, which are for the six months ended.
(c) Servicing fees net of impact of decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan prepayments and loans that were paid down or paid off during the period.
(d) Mortgages with borrowers as part of residential real estate purchase transactions.
(e) Percentage of total consumer and business banking deposit transactions processed at an ATM or through our mobile banking application.
(f) Represents consumer checking relationships that process the majority of their transactions through non-teller channels.
(g) Includes nonperforming loans of $ 1.1 billion for both June 30, 2019 and June 30, 2018.
(h) Excludes stand-alone mortgage offices and satellite offices (*e.g.*, drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(i) Includes cash and money market balances.

Retail Banking earned $589 million in the first six months of 2019 compared with $523 million for the same period in 2018. The increase in earnings was attributable to higher net interest income partially offset by an increase in provision for credit losses, lower noninterest income and higher noninterest expense.

Net interest income increased primarily due to wider interest rate spreads on the value of deposits as well as growth in deposit and loan balances.

The decrease in noninterest income was largely attributable to the impact of negative derivative fair value adjustments related to Visa Class B common shares of $47 million for the first six months of 2019 compared with positive adjustments of $25 million in the same period of 2018. Noninterest income was also reduced by lower residential mortgage revenue, reflecting negative results for residential mortgage servicing rights valuation, net of economic hedge, in the first six months of 2019 compared with a benefit in the first six months of 2018, and a decline in loan sale revenue. The decrease in loan sale revenue reflected lower gain on sales margins as a result of increased competition in the marketplace. Noninterest income benefited from growth in consumer service fees, including higher debit and credit card fees.

Provision for credit losses increased in the first six months of 2019 compared to the same period of 2018 primarily due to portfolio growth in auto, credit card, and unsecured installment loans as well as reserve increases in the auto loan portfolio.

Higher noninterest expense primarily resulted from an increase in marketing activity, including expenses related to the national retail digital strategy, increased ATM expense driven by checking product simplification, investments in equipment and technology, and customer related transaction costs.

The deposit strategy of Retail Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances, executing on market-specific deposit growth strategies and providing a source of low-cost funding and liquidity to PNC. In the first six months of 2019, average total deposits increased compared to the same period in 2018, as both interest-bearing and noninterest-bearing demand deposits increased. Savings deposits increased due in part, to a shift from money market deposits to relationship-based savings products as well as growth in consumer deposits, including from the national retail digital strategy. Certificates of deposit increased reflecting shifts in consumer preferences to time deposits in a higher rate environment.

Retail Banking average total loans increased in the first six months of 2019 compared with the same period in 2018.

- Average residential mortgages increased primarily as a result of growth in nonconforming residential mortgage loans.
- Average auto loans increased primarily due to strong new indirect auto loan volumes, including in our Southeast and new markets, as well as growth in direct auto loans.
- Average credit card balances increased as we continued to focus on our long-term objective of deepening penetration within our existing customer base as well as new client acquisition.
- Average home equity loans decreased as paydowns and payoffs on loans exceeded new originated volume.
- Average education loans decreased driven by a decline in the runoff portfolio of government guaranteed education loans.
- Average commercial and commercial real estate loans declined as paydowns and payoffs on loans exceeded new volume.

In 2018, Retail Banking launched its national retail digital strategy by offering a high yield savings account in markets outside of our existing retail branch network and opened a retail location in Kansas City. Additional solution centers were opened in the second quarter of 2019, one in Kansas City and one in Dallas. Deposit balances generated through the national retail digital strategy totaled $1.4 billion as of June 30, 2019.

Retail Banking continues to enhance the customer experience with refinements to product and service offerings that drive value for consumers and small businesses. We are focused on meeting the financial needs of our customers by providing a broad range of liquidity, banking and investment products. Retail Banking continued to execute on its strategy of transforming the customer experience through transaction migration, branch network and home lending transformations and multi-channel engagement and service strategies.

- Approximately 69% of consumer customers used non-teller channels for the majority of their transactions in the first six months of 2019 compared with 65% for the same period in 2018.
- Deposit transactions via ATM and mobile channels increased to 56% of total deposit transactions in the first six months of 2019 from 54% for the same period in 2018.

Retail Banking continues to make progress on its multi-year initiative to redesign the home lending process. The home equity origination cycle is the focus in 2019 as we enhance current capabilities in order to improve speed of delivery and convenience for customers.

Corporate & Institutional Banking

Corporate & Institutional Banking's strategy is to be the leading relationship-based provider of traditional banking products and services to its customers through the economic cycles. We aim to grow our market share and drive higher returns by delivering value-added solutions that help our clients better run their organizations, all while maintaining prudent risk and expense management. We continue to focus on building client relationships where the risk-return profile is attractive.

Table 11: Corporate & Institutional Banking Table

(Unaudited) Six months ended June 30 Dollars in millions	2019	2018	Change $	Change %
Income Statement				
Net interest income	$ 1,815	$ 1,782	$ 33	2 %
Noninterest income	1,237	1,182	55	5 %
Total revenue	3,052	2,964	88	3 %
Provision for credit losses	171	56	115	205 %
Noninterest expense	1,384	1,321	63	5 %
Pretax earnings	1,497	1,587	(90)	(6)%
Income taxes	343	372	(29)	(8)%
Earnings	$ 1,154	$ 1,215	$ (61)	(5)%
Average Balance Sheet				
Loans held for sale	$ 338	$ 890	$ (552)	(62)%
Loans				
Commercial	$ 111,186	$ 101,767	$ 9,419	9 %
Commercial real estate	26,098	26,723	(625)	(2)%
Equipment lease financing	7,274	7,669	(395)	(5)%
Total commercial lending	144,558	136,159	8,399	6 %
Consumer	18	58	(40)	(69)%
Total loans	$ 144,576	$ 136,217	$ 8,359	6 %
Total assets	$ 160,551	$ 152,769	$ 7,782	5 %
Deposits				
Noninterest-bearing demand	$ 39,156	$ 45,136	$ (5,980)	(13)%
Money market	26,292	23,118	3,174	14 %
Other	24,097	18,590	5,507	30 %
Total deposits	$ 89,545	$ 86,844	$ 2,701	3 %
Performance Ratios				
Return on average assets	1.45%	1.60%		
Noninterest income to total revenue	41%	40%		
Efficiency	45%	45%		
Other Information				
Consolidated revenue from: (a)				
Treasury Management (b)	$ 912	$ 865	$ 47	5 %
Capital Markets (b)	$ 559	$ 541	$ 18	3 %
Commercial mortgage banking activities:				
Commercial mortgage loans held for sale (c)	$ 35	$ 52	$ (17)	(33)%
Commercial mortgage loan servicing income (d)	119	115	4	3 %
Commercial mortgage servicing rights valuation, net of economic hedge (e)	16	24	(8)	(33)%
Total	$ 170	$ 191	$ (21)	(11)%
Commercial mortgage servicing rights asset value (f)	$ 630	$ 748	$ (118)	(16)%
Average Loans by C&IB business (g)				
Corporate Banking	$ 72,736	$ 65,933	$ 6,803	10 %
Real Estate	36,752	37,336	(584)	(2)%
Business Credit	22,306	20,414	1,892	9 %
Commercial Banking	8,099	8,146	(47)	(1)%
Other	4,683	4,389	294	7 %
Total average loans	$ 144,576	$ 136,218	$ 8,358	6 %
Credit-related statistics				
Nonperforming assets (f) (h)	$ 497	$ 385	$ 112	29 %
Net charge-offs	$ 28	$ 7	$ 21	300 %

(a) See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities in the Product Revenue section of this Corporate & Institutional Banking section.
(b) Amounts are reported in net interest income and noninterest income.
(c) Represents other noninterest income for valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, originations fees, gains on sale of loans held for sale and net interest income on loans held for sale.
(d) Represents net interest income and noninterest income (primarily in corporate service fees) from loan servicing net of reduction in commercial mortgage servicing rights due to amortization expense and payoffs. Commercial mortgage servicing rights valuation, net of economic hedge is shown separately.
(e) Amounts are reported in corporate service fees.
(f) As of June 30.
(g) As a result of our first quarter 2019 C&IB business realignment, average loans previously reported as Equipment Finance were reclassified to other C&IB businesses for all periods presented.
(h) Includes nonperforming loans of $ .5 billion and $.3 billion at June 30, 2019 and June 30, 2018, respectively.

Corporate & Institutional Banking earned $1.2 billion in the first six months of 2019, down $61 million compared to the same period in 2018. Higher revenue was more than offset by an increase in the provision for credit losses and higher noninterest expense.

Net interest income increased in the comparison, primarily due to higher average loan and deposit balances and wider interest rate spreads on the value of deposits, partially offset by narrower interest rate spreads on the value of loans.

Growth in noninterest income in the comparison was primarily driven by higher treasury management product revenue, higher capital markets-related revenue and an equity investment gain in the first quarter of 2019. These increases were partially offset by lower revenue from commercial mortgage banking activities.

The increase in provision for credit losses reflected loan growth driven by new loan originations. Nonperforming assets and net charge-offs in the first six months of 2019 increased compared to recent historic lows. Despite these increases, overall credit quality remained stable.

Noninterest expense increased in the comparison largely due to investments in strategic initiatives and variable costs associated with increased business activity.

Average loans increased compared to the first half of 2018 mostly due to strong growth in Corporate Banking and Business Credit:

- Corporate Banking provides lending, treasury management and capital markets-related products and services to mid-sized and large corporations, and government and not-for-profit entities. Average loans for this business grew reflecting strong production in asset-backed financing as well as increased lending to large and mid-sized corporate clients.
- PNC Real Estate provides banking, financing and servicing solutions for commercial real estate clients across the country. Average loans for this business decreased primarily driven by project loan payoffs, partially offset by higher commercial mortgage balances.
- PNC Business Credit provides asset-based lending. The loan portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by short-term assets. Average loans for this business increased as higher utilization and new originations were partially offset by payoffs.
- Commercial Banking provides lending, treasury management and capital markets-related products and services to smaller corporations and businesses. Average loans for this business were relatively unchanged.

The deposit strategy of Corporate & Institutional Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances over time, executing on customer and segment-specific deposit growth strategies and continuing to provide funding and liquidity to PNC. Average total deposits increased in the comparison driven by growth in interest-bearing deposits including a shift from noninterest-bearing deposits in the rising rate environment. We continue to monitor and balance the relationship between rates paid and the overall profitability of our deposit balances.

Corporate & Institutional Banking expanded its Corporate Banking business, focused on the middle market and larger sectors, into the Boston and Phoenix markets in 2019. This followed offices opened in Dallas, Kansas City and Minneapolis in 2017, and offices opened in Denver, Houston and Nashville in 2018. These locations complement Corporate & Institutional Banking national businesses with a significant presence in these cities, and build on past successes in the markets where PNC's retail banking presence was limited, such as in the Southeast. Our full suite of commercial products and services is offered in these locations. We have also formalized plans to expand into the Portland and Seattle markets in 2020.

Product Revenue

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets-related products and services, and commercial mortgage banking activities, for customers of all business segments. On a consolidated basis, the revenue from these other services is included in net interest income, corporate service fees and other noninterest income. From a segment perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The

Other Information section in Table 11 includes the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

The Treasury Management business provides payables, receivables, deposit and account services, liquidity and investments, and online and mobile banking products and services to our clients. Treasury management revenue is reported in noninterest income and net interest income. Noninterest income includes treasury management product revenue less earnings credits provided to customers on compensating deposit balances used to pay for products and services. Net interest income primarily includes revenue from all treasury management customer deposit balances. Compared with the first six months of 2018, treasury management revenue increased primarily due to higher product revenue and interest rate spread expansion on deposit balances.

Capital markets-related products and services include foreign exchange, derivatives, securities underwriting, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services. Capital markets-related revenue increased in the comparison primarily due to higher merger and acquisition advisory fees, asset-backed finance structuring fees and corporate securities underwriting, partially offset by lower loan syndications.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (both net interest income and noninterest income) and revenue derived from commercial mortgage loans held for sale and related hedges. Total revenue from commercial mortgage banking activities decreased in the comparison due to lower revenue from commercial mortgage loans held for sale and related hedges and a lower benefit from commercial mortgage servicing rights valuation, net of economic hedge.

Asset Management Group

Asset Management Group is focused on being a premier bank-held individual and institutional asset manager in each of the markets it serves. The business seeks to deliver high quality banking, trust and investment management services to our high net worth, ultra high net worth and institutional client sectors through a broad array of products and services. Asset Management Group's priorities are to serve our clients' financial objectives, grow and deepen customer relationships and deliver solid financial performance with prudent risk and expense management.

Table 12: Asset Management Group Table

(Unaudited) Six months ended June 30 Dollars in millions, except as noted	2019	2018	Change $	Change %
Income Statement				
Net interest income	$ 138	$ 146	$ (8)	(5)%
Noninterest income	503	448	55	12 %
Total revenue	641	594	47	8 %
Provision for credit losses (benefit)	(1)	—	(1)	*
Noninterest expense	479	456	23	5 %
Pretax earnings	163	138	25	18 %
Income taxes	38	33	5	15 %
Earnings	$ 125	$ 105	$ 20	19 %
Average Balance Sheet				
Loans				
Consumer	$ 4,289	$ 4,741	$ (452)	(10)%
Commercial and commercial real estate	741	738	3	—
Residential mortgage	1,758	1,539	219	14 %
Total loans	$ 6,788	$ 7,018	$ (230)	(3)%
Total assets	$ 7,204	$ 7,484	$ (280)	(4)%
Deposits				
Noninterest-bearing demand	$ 1,368	$ 1,462	$ (94)	(6)%
Interest-bearing demand	2,983	3,494	(511)	(15)%
Money market	1,910	2,454	(544)	(22)%
Savings	5,799	4,651	1,148	25 %
Other	747	345	402	117 %
Total deposits	$ 12,807	$ 12,406	$ 401	3 %
Performance Ratios				
Return on average assets	3.50%	2.83%		
Noninterest income to total revenue	78%	75%		
Efficiency	75%	77%		
Supplemental Noninterest Income Information				
Asset management fees	$ 433	$ 442	$ (9)	(2)%
Other Information				
Nonperforming assets (a) (b)	$ 45	$ 51	$ (6)	(12)%
Net charge-offs	$ 1	$ 7	$ (6)	(86)%
Client Assets Under Administration (in billions) (a) (c)				
Discretionary client assets under management	$ 162	$ 149	$ 13	9 %
Nondiscretionary client assets under administration	132	130	2	2 %
Total	$ 294	$ 279	$ 15	5 %
Discretionary client assets under management				
Personal	$ 99	$ 92	$ 7	8 %
Institutional	63	57	6	11 %
Total	$ 162	$ 149	$ 13	9 %

* - Not meaningful

(a) As of June 30.

(b) Includes nonperforming loans of $ 45 million at June 30, 2019 and $50 million at June 30, 2018.

(c) Excludes brokerage account client assets.

Asset Management Group earned $125 million in the first six months of 2019 compared to $105 million for the same period in 2018. Earnings increased due to higher revenue partially offset by higher noninterest expense.

Higher revenue in the comparison was driven by a gain on the sale of the retirement recordkeeping business partially offset by lower net interest income due to lower average loan balances and narrower interest rate spreads on loans, as well as lower asset management fees from the retirement recordkeeping sale.

Noninterest expense increased in the comparison and was primarily attributable to higher personnel expenses and costs associated with the sale transaction, including asset write-offs.

Asset Management Group's discretionary client assets under management increased in the comparison to the prior year, primarily attributable to higher equity markets.

The Asset Management Group strives to be the leading relationship-based provider of investment, planning, banking and fiduciary services to wealthy individuals and institutions by proactively delivering value-added ideas, solutions and exceptional service.

Wealth Management and Hawthorn have nearly 100 offices operating in seven out of the ten most affluent states in the U.S. with a majority co-located with retail banking branches. The businesses provide customized investments, wealth planning, trust and estate administration and private banking solutions to affluent individuals and ultra-affluent families.

Institutional Asset Management provides outsourced chief investment officer, custody, private real estate, cash and fixed income client solutions, and fiduciary retirement advisory services to institutional clients including corporations, healthcare systems, insurance companies, unions, municipalities, and non-profits.

BlackRock

We hold an equity investment in BlackRock, a leading publicly-traded investment management firm. Information related to our equity investment in BlackRock follows:

Table 13: BlackRock Table

(Unaudited) Six months ended June 30 Dollars in millions	2019	2018
Business segment earnings (a)	$ 386	$ 392
PNC's economic interest in BlackRock (b)	22%	22%

(a) Represents our share of BlackRock's reported GAAP earnings net of income taxes on those earnings incurred by us.
(b) At June 30.

In billions	June 30, 2019	December 31, 2018
Carrying value of our investment in BlackRock (c)	$ 8.3	$ 8.2
Market value of our investment in BlackRock (d)	$ 16.3	$ 13.7

(c) We account for our investment in BlackRock under the equity method of accounting, exclusive of a related deferred tax liability of $ 1.7 billion at both June 30, 2019 and December 31, 2018. Our voting interest in BlackRock common stock was approximately 22% at June 30, 2019.
(d) Does not include liquidity discount.

Our 2018 Form 10-K includes additional information about our investment in BlackRock.

Risk Management

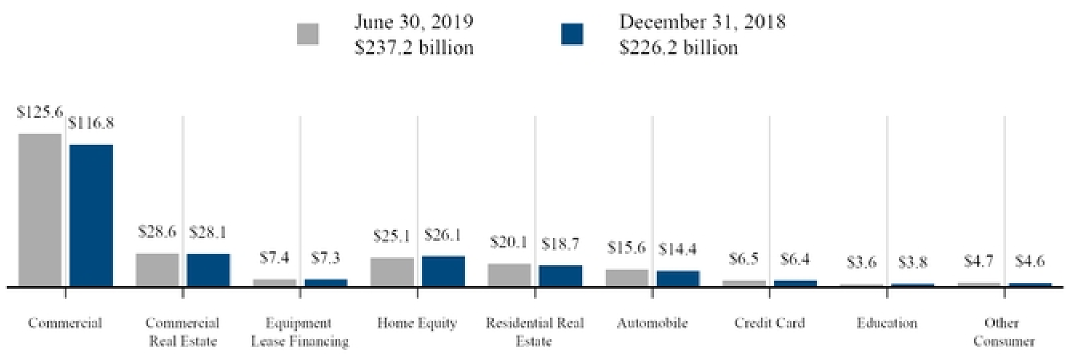
The Risk Management section included in Item 7 of our 2018 Form 10-K describes our enterprise risk management framework including risk culture, enterprise strategy, risk governance and framework, risk identification, risk assessment, risk controls and monitoring, and risk aggregation and reporting. Additionally, our 2018 Form 10-K provides an analysis of our key areas of risk, which include but are not limited to credit, liquidity and capital, market, operational and compliance.

Credit Risk Management

See the Credit Risk Management portion of the Risk Management section in our 2018 Form 10-K for additional discussion regarding credit risk.

Loan Portfolio Characteristics and Analysis

Table 14: Details of Loans
In billions



We use several asset quality indicators, as further detailed in Note3 Asset Quality, to monitor and measure our exposure to credit risk within our loan portfolio. The following provides additional information about our significant loan classes.

Commercial
Commercial loans comprised 53% and 52% of our total loan portfolio atJune 30, 2019 and December 31, 2018, respectively. The majority of our commercial loans are secured by collateral that provides a secondary source of repayment for the loan should the borrower experience cash generation difficulties. Examples of this collateral include short-term assets, such as accounts receivable, inventory and securities, and long-lived assets, such as equipment, real estate and other business assets.

We actively manage our commercial loans to assess any changes (both positive and negative) in the level of credit risk at both the borrower and portfolio level. To evaluate the level of credit risk, we assign internal risk ratings reflecting our estimates of the borrower's probability of default (PD) and loss given default (LGD) for each related credit facility. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process and is updated on an ongoing basis through our credit risk management processes. In addition to monitoring the level of credit risk, we also monitor concentrations of credit risk pertaining to both specific industries and geography that may exist in our portfolio. Our portfolio is well-diversified as shown in the following table which provides a breakout of our commercial loans by industry classification (classified based on the North American Industry Classification System (NAICS)).

Table 15: Commercial Loans by Industry

	June 30, 2019		December 31, 2018	
Dollars in millions	Amount	% of Total	Amount	% of Total
Commercial				
Manufacturing	$ 22,191	18%	$ 21,207	18%
Retail/wholesale trade	22,280	18	20,850	18
Service providers	15,387	12	14,869	13
Real estate related (a)	12,264	10	12,312	11
Financial services	11,916	9	9,500	8
Health care	8,594	7	8,886	8
Transportation and warehousing	6,588	5	5,781	5
Other industries	26,404	21	23,429	19
Total commercial loans	$ 125,624	100%	$ 116,834	100%

(a) Represents loans to customers in the real estate and construction industries.

Commercial Real Estate
Commercial real estate loans comprised $6.3 billion of real estate project loans, $6.7 billion of intermediate term financing loans and $15.6 billion related to commercial mortgages as of June 30, 2019. Comparable amounts were $6.6 billion, $7.1 billion and $14.4 billion, respectively, as of December 31, 2018.

We monitor credit risk associated with our commercial real estate loans similar to commercial loans by analyzing PD and LGD. Additionally, risks associated with these types of credit activities tend to be correlated to the loan structure, collateral location, project progress and business environment. These attributes are also monitored and utilized in assessing credit risk. The portfolio is geographically diverse due to the nature of our business involving clients throughout the U.S. The following table presents our commercial real estate loans by geographic market and property type.

Table 16: Commercial Real Estate Loans by Geography and Property Type

	June 30, 2019		December 31, 2018	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography				
California	$ 4,270	15%	$ 4,154	15%
Florida	2,239	8	2,157	8
Maryland	1,996	7	1,966	7
Virginia	1,536	5	1,682	6
Texas	1,813	6	1,531	5
Illinois	1,176	4	1,368	5
Pennsylvania	1,093	4	1,214	4
New York	959	3	1,151	4
Ohio	1,145	4	1,053	4
North Carolina	941	3	915	3
All other states	11,402	41	10,949	39
Total commercial real estate loans	$ 28,570	100%	$ 28,140	100%
Property Type				
Multifamily	$ 8,667	30%	$ 8,770	31%
Office	7,502	26	7,279	26
Retail	3,850	14	4,065	14
Hotel/Motel	1,864	7	1,686	6
Industrial/Warehouse	1,817	6	1,678	6
Senior Housing	1,233	4	1,092	4
Mixed Use	930	3	933	3
Other	2,707	10	2,637	10
Total commercial real estate loans	$ 28,570	100%	$ 28,140	100%

Home Equity

Home equity loans comprised $14.7 billion of primarily variable-rate home equity lines of credit and $10.4 billion of closed-end home equity installment loans at June 30, 2019. Comparable amounts were $15.5 billion and $10.6 billion, respectively, as of December 31, 2018.

We track borrower performance monthly, including obtaining original loan-to-value ratios (LTV), updated FICO scores at least quarterly, updated LTVs at least semi-annually, and other credit metrics at least quarterly, including the historical performance of any related mortgage loans regardless of lien position that we do or do not hold. This information is used for internal reporting and risk management. For internal reporting and risk management we also segment the population into pools based on product type (*e.g.*, home equity loans, brokered home equity loans, home equity lines of credit, brokered home equity lines of credit). As part of our overall risk analysis and monitoring, we also segment the portfolio based upon the loan delinquency, nonperforming status, modification and bankruptcy status, FICO scores, LTV, lien position and geographic concentration.

The portfolio is primarily originated within markets located in the Mid-Atlantic, Midwest, and Southeast, with less than 5% of the portfolio in states outside of those markets at June 30, 2019. The credit quality of newly originated loans over the last twelve months was strong overall as evidenced by a weighted-average LTV on originations of 67% and a weighted-average FICO score of 770.

The credit performance of the majority of the home equity portfolio where we hold the first lien position is superior to the portion of the portfolio where we hold the second lien position, but do not hold the first lien. Lien position information is generally based upon original LTV at the time of origination. We use an industry-leading third-party service provider to obtain updated loan, lien and collateral data that is aggregated from public and private sources.

The following table presents our home equity loans by geographic market and lien type.

Table 17: Home Equity Loans by Geography and by Lien Priority

	June 30, 2019		December 31, 2018	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography				
Pennsylvania	$ 5,891	23%	$ 6,160	24%
New Jersey	3,795	15	3,935	15
Ohio	2,953	12	3,095	12
Illinois	1,551	6	1,634	6
Maryland	1,428	6	1,481	6
Michigan	1,307	5	1,340	5
Florida	1,212	5	1,227	5
North Carolina	1,109	4	1,161	4
Kentucky	993	4	1,040	4
Indiana	819	3	845	3
All other states	4,074	17	4,205	16
Total home equity loans	$ 25,132	100%	$ 26,123	100%
Lien type				
1st lien		58%		58%
2nd lien		42		42
Total		100%		100%

Residential Real Estate

Residential real estate loans primarily consisted of residential mortgage loans at both June 30, 2019 and December 31, 2018.

We track borrower performance of this portfolio monthly similarly to home equity loans. This information is used for internal reporting and risk management. For internal reporting and risk management we also segment the mortgage portfolio into pools based on product type (*e.g.*, nonconforming, conforming). As part of our overall risk analysis and monitoring, we also segment the portfolio based upon loan delinquency, nonperforming status, modification and bankruptcy status, FICO scores, LTV and geographic concentrations. Loan performance is evaluated by source originators and loan servicers.

The credit quality of newly originated loans that we retained on our balance sheet over the last twelve months was strong overall as evidenced by a weighted-average LTV on originations of 71% and a weighted-average FICO score of 768.

The following table presents our residential real estate loans by geographic market.

Table 18: Residential Real Estate Loans by Geography

	June 30, 2019		December 31, 2018	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography				
California	$ 5,592	28%	$ 4,666	25%
New Jersey	1,712	9	1,649	9
Florida	1,561	8	1,544	8
Illinois	1,136	6	1,161	6
Pennsylvania	1,070	5	1,031	6
New York	973	5	956	5
Maryland	919	5	913	5
North Carolina	853	4	854	5
Virginia	841	4	825	4
Ohio	687	3	682	4
All other states	4,748	23	4,376	23
Total residential real estate loans	$ 20,092	100%	$ 18,657	100%

We originate residential mortgage loans nationwide through our national mortgage business as well as within our branch network. Residential mortgage loans underwritten to government agency standards, including conforming loan amount limits, are typically sold with servicing retained by us. We also originate nonconforming residential mortgage loans that do not meet government agency standards, which we retain on our balance sheet. The nonconforming residential mortgage portfolio had strong credit quality at June 30, 2019 with an average original LTV of70% and an average original FICO score of772. Our portfolio of nonconforming residential mortgage loans totaled $14.1 billion at June 30, 2019 with 34% located in California.

Automobile

Within auto loans, $14.0 billion resided in the indirect auto portfolio while $1.6 billion were in the direct auto portfolio as ofJune 30, 2019. Comparable amounts as of December 31, 2018 were $12.9 billion and $1.5 billion, respectively. The indirect auto portfolio relates to loan applications originated through franchised automobile dealers. This business is strategically aligned with our core retail banking business.

We continue to focus on borrowers with strong credit profiles as evidenced by a weighted-average loan origination FICO score over the last twelve months of 744 for indirect auto loans and 764 for direct auto loans. The weighted-average term of loan originations over the last twelve months was 74 months for indirect auto loans and 63 months for direct auto loans. We offer both new and used auto financing to customers through our various channels. At both June 30, 2019 and December 31, 2018, the portfolio was composed of 53% new vehicle loans and 47% used vehicle loans.

The auto loan portfolio's performance is measured monthly, including updated collateral values that are obtained monthly and updated FICO scores that are obtained at least quarterly. For internal reporting and risk management, we analyze the portfolio by product channel and product type and regularly evaluate default and delinquency experience. As part of our overall risk analysis and monitoring, we segment the portfolio by loan structure, collateral attributes and credit metrics which include FICO score, LTV and term.

Nonperforming Assets and Loan Delinquencies

Nonperforming Assets

Nonperforming assets include nonperforming loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming troubled debt restructurings (TDRs), other real estate owned (OREO) and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans, purchased impaired loans and loans accounted for under the fair value option are excluded from nonperforming loans. Additional information regarding our nonperforming loans and nonaccrual policies is included in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in our 2018 Form 10-K. A summary of the major categories of nonperforming assets are presented in Table 19. See Note 3 Asset Quality in the Notes To Consolidated Financial Statements in this Report for further detail of nonperforming asset categories.

Table 19: Nonperforming Assets by Type

			Change	
Dollars in millions	June 30, 2019	December 31, 2018	$	%
Nonperforming loans				
Commercial lending	$ 540	$ 432	$ 108	25
Consumer lending (a)	1,184	1,262	(78)	(6)%
Total nonperforming loans	1,724	1,694	30	2 %
OREO and foreclosed assets	126	114	12	11 %
Total nonperforming assets	$ 1,850	$ 1,808	$ 42	2 %
TDRs included in nonperforming loans	$ 874	$ 863	$ 11	1 %
Percentage of total nonperforming loans	51 %	51 %		
Nonperforming loans to total loans	.73 %	.75 %		
Nonperforming assets to total loans, OREO and foreclosed assets	.78 %	.80 %		
Nonperforming assets to total assets	.46 %	.47 %		
Allowance for loan and lease losses to total nonperforming loans	158 %	155 %		

(a) Excludes most consumer loans and lines of credit not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.

Table 20: Change in Nonperforming Assets

In millions	2019	2018
January 1	$ 1,808	$ 2,035
New nonperforming assets	695	525
Charge-offs and valuation adjustments	(334)	(282)
Principal activity, including paydowns and payoffs	(193)	(280)
Asset sales and transfers to loans held for sale	(40)	(63)
Returned to performing status	(86)	(81)
June 30	$ 1,850	$ 1,854

As of June 30, 2019, approximately 88% of total nonperforming loans were secured by collateral which lessened reserve requirements and is expected to reduce credit losses in the event of default. As of June 30, 2019, commercial lending nonperforming loans were carried at approximately73% of their unpaid principal balance, due to charge-offs recorded to date, before consideration of the ALLL.

Within consumer lending nonperforming loans, residential real estate TDRs comprised78% and 81% of total residential real estate nonperforming loans atJune 30, 2019 and December 31, 2018, respectively. Home equity TDRs comprised49% of home equity nonperforming loans atJune 30, 2019, up from 47% atDecember 31, 2018. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of both principal and interest payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us and loans to borrowers not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

At June 30, 2019, our largest nonperforming asset was $43 million in the Real Estate and Rental and Leasing industry and the ten largest individual nonperforming assets represented 12% of total nonperforming assets.

Loan Delinquencies
We regularly monitor the level of loan delinquencies and believe these levels may be a key indicator of loan portfolio asset quality. Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies exclude loans held for sale and purchased impaired loans, but include government insured or guaranteed loans and loans accounted for under the fair value option.

Table 21: Accruing Loans Past Due (a)

	Amount		Change		Percentage of Total Loans Outstanding	
Dollars in millions	June 30 2019	December 31 2018	$	%	June 30 2019	December 31 2018
Early stage loan delinquencies						
Accruing loans past due 30 to 59 days	$ 550	$ 585	$ (35)	(6)%	.23%	.26%
Accruing loans past due 60 to 89 days	235	271	(36)	(13)%	.10%	.12%
Total	785	856	(71)	(8)%	.33%	.38%
Late stage loan delinquencies						
Accruing loans past due 90 days or more	524	629	(105)	(17)%	.22%	.28%
Total	$ 1,309	$ 1,485	$ (176)	(12)%	.55%	.66%

(a) Past due loan amounts include government insured or guaranteed loans of $.6 billion at June 30, 2019 and $.7 billion at December 31, 2018.

Accruing loans past due 90 days or more are not included in nonperforming loans and continue to accrue interest because they are well secured by collateral and are in the process of collection, or are managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines, or are certain government insured or guaranteed loans.

Troubled Debt Restructurings and Loan Modifications

Troubled Debt Restructurings
A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from court imposed concessions (*e.g.,* a Chapter 7 bankruptcy where the debtor is discharged from personal liability to us and a court approved Chapter 13 bankruptcy repayment plan).

Table 22: Summary of Troubled Debt Restructurings (a)

Dollars in millions	June 30 2019	December 31 2018	Change $	Change %
Total commercial lending	$ 396	$ 409	$ (13)	(3)%
Total consumer lending	1,381	1,442	(61)	(4)%
Total TDRs	$ 1,777	$ 1,851	$ (74)	(4)%
Nonperforming	$ 874	$ 863	$ 11	1 %
Accruing (b)	903	988	(85)	(9)%
Total TDRs	$ 1,777	$ 1,851	$ (74)	(4)%

(a) Amounts in table represent recorded investment, which includes the unpaid principal balance plus net accounting adjustments, less any charge-offs. Recorded investment does not include any associated valuation allowance.
(b) Accruing loans include consumer credit card loans and loans that have demonstrated a period of at least six months of performance under the restructured terms and are excluded from nonperforming loans.

Excluded from TDRs are $1.1 billion of consumer loans held for sale, loans accounted for under the fair value option and pooled purchased impaired loans, as well as certain government insured or guaranteed loans at both June 30, 2019 and December 31, 2018. Nonperforming TDRs represented approximately 51% of total nonperforming loans at both June 30, 2019 and December 31, 2018, while representing 49% and 47% of total TDRs at June 30, 2019 and December 31, 2018, respectively. The remaining portion of TDRs represents TDRs that have been returned to accrual status after performing under the restructured terms for at least six consecutive months.

See Note 3 Asset Quality in the Notes to Consolidated Financial Statements in this Report for additional information on TDRs. See the Credit Risk Management portion of the Risk Management section in our 2018 Form 10-K for information related to loan modifications.

Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit

We maintain an ALLL to absorb losses from the loan and lease portfolio and determine this allowance based on quarterly assessments of the estimated probable credit losses incurred in the loan and lease portfolio. Our total ALLL of $2.7 billion at June 30, 2019 consisted of $1.8 billion and $.9 billion established for the commercial lending and consumer lending categories, respectively. We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolio as of the balance sheet date. The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan and lease portfolio performance experience, the financial strength of the borrower and economic conditions. Key reserve assumptions and estimation processes are periodically updated.

Reserves are established for non-impaired commercial loan classes based primarily on PD and LGD.

Our commercial pool reserve methodology is sensitive to changes in key risk parameters such as PD and LGD. The results of these parameters are then applied to the loan balance and unfunded loan commitments and letters of credit to determine the amount of the respective reserves. The majority of the commercial portfolio is secured by collateral, including loans to asset-based lending customers, which generally demonstrate lower LGD compared to loans not secured by collateral. Our PDs and LGDs are primarily determined using internal commercial loan loss data. This internal data is supplemented with third-party data and management judgment, as deemed necessary. We continue to evaluate and enhance our use of internal commercial loss data and will periodically update our PDs and LGDs as well as consider third-party data, regulatory guidance and management judgment.

Allowances for non-impaired consumer loan classes are primarily based upon transition matrices, including using a roll-rate model. The roll-rate model uses statistical relationships, calculated from historical data that estimate the movement of loan outstandings through the various stages of delinquency and ultimately charge-off.

We establish specific allowances for loans considered impaired using methods prescribed by GAAP. All impaired loans are subject to individual analysis, except leases and large groups of smaller-balance homogeneous loans which may include, but are not limited to, credit card, residential real estate secured and consumer installment loans. Specific allowances for individual loans (including commercial and consumer TDRs) are determined based on an analysis of the present value of expected future cash flows from the loans discounted at their effective interest rate, observable market price or the fair value of the underlying collateral.

A portion of the ALLL is related to qualitative measurement factors. These factors may include, but are not limited to, the following:

- Industry concentrations and conditions,
- Changes in market conditions,

- Recent credit quality trends,
- Recent loss experience in particular portfolios, including specific and unique events,
- Recent macro-economic factors,
- Model imprecision,
- Changes in lending policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Limitations of available historical data.

Our determination of the ALLL for non-impaired loans is sensitive to the risk grades assigned to commercial loans and loss rates for consumer loans. There are several other qualitative and quantitative factors considered in determining the ALLL. Periodically, reserve sensitivity analyses are performed. Such analyses provide insight into the impact of adverse changes to risk grades and loss rates. Given the current processes used, we believe the risk grades and loss rates currently assigned are appropriate.

Purchased impaired loans are initially recorded at fair value and applicable accounting guidance prohibits the carryover or creation of valuation allowances at acquisition. Because the initial fair values of these loans already reflect a credit component, additional reserves are established when performance is expected to be worse than our expectations as of the acquisition date. At June 30, 2019, we had established reserves of $.3 billion for purchased impaired loans. In addition, loans (purchased impaired and non-impaired) acquired after January 1, 2009 were recorded at fair value. No allowance for loan losses was carried over and no allowance was created at the date of acquisition.

In determining the appropriateness of the ALLL, we make specific allocations to impaired loans and allocations to portfolios of commercial and consumer loans. We also allocate reserves to provide coverage for probable losses incurred in the portfolio at the balance sheet date based upon current market conditions, which may not be reflected in historical loss data. Commercial lending is the largest category of credits and is sensitive to changes in assumptions and judgments underlying the determination of the ALLL.

In addition to the ALLL, we maintain an allowance for unfunded loan commitments and letters of credit. We report this allowance as a liability on our Consolidated Balance Sheet. We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable losses on these unfunded credit facilities. We determine this amount using estimates of the probability of the ultimate funding and losses related to those credit exposures. Other than the estimation of the probability of funding, this methodology is very similar to the one we use for determining our ALLL.

See Note 1 Accounting Policies in our 2018 Form 10-K and Note 3 Asset Quality in the Notes To Consolidated Financial Statements in this Report for further information on certain key asset quality indicators that we use to evaluate our portfolios and establish the allowances.

Table 23: Allowance for Loan and Lease Losses

Dollars in millions	2019	2018
January 1	$ 2,629	$ 2,611
Total net charge-offs	(278)	(222)
Provision for credit losses	369	172
Net (increase) / decrease in allowance for unfunded loan commitments and letters of credit	(6)	8
Other	7	12
June 30	$ 2,721	$ 2,581
Net charge-offs to average loans (for the six months ended) (annualized)	.24%	.20%
Ratio of ALLL to total loans	1.15%	1.16%
Commercial lending net charge-offs	$ (44)	$ (13)
Consumer lending net charge-offs	(234)	(209)
Total net charge-offs	$ (278)	$ (222)
Net charge-offs to average loans (for the six months ended) (annualized)		
Commercial lending	.06%	.02%
Consumer lending	.64%	.58%

The ALLL balance increases or decreases across periods in relation to fluctuating risk factors, including asset quality trends, net charge-offs and changes in aggregate portfolio balances. During the first six months of 2019, overall credit quality remained strong, which resulted in an essentially flat ratio of ALLL to total loans as of June 30, 2019 compared to December 31, 2018.

The following table summarizes our loan charge-offs and recoveries.

Table 24: Loan Charge-Offs and Recoveries

Six months ended June 30 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	Percent of Average Loans (Annualized)
2019				
Commercial	$ 75	$ 31	$ 44	.07 %
Commercial real estate	5	5	—	— %
Equipment lease financing	4	4	—	— %
Home equity	41	36	5	.04 %
Residential real estate	4	7	(3)	(.03)%
Automobile	112	55	57	.77 %
Credit card	132	14	118	3.78 %
Education	13	4	9	.49 %
Other consumer	56	8	48	2.10 %
Total	$ 442	$ 164	$ 278	.24 %
2018				
Commercial	$ 52	$ 32	$ 20	.04 %
Commercial real estate	8	14	(6)	(.04)%
Equipment lease financing	4	5	(1)	(.03)%
Home equity	61	44	17	.12 %
Residential real estate	6	10	(4)	(.05)%
Automobile	77	35	42	.63 %
Credit card	109	12	97	3.44 %
Education	17	4	13	.61 %
Other consumer	52	8	44	2.02 %
Total	$ 386	$ 164	$ 222	.20 %

See Note 1 Accounting Policies in our 2018 Form 10-K and Note 4 Allowance for Loan and Lease Losses in the Notes To Consolidated Financial Statements in this Report for additional information on the ALLL.

The Recently Issued Accounting Standards section within Critical Accounting Estimates and Judgments of this Financial Review describes our upcoming implementation of Accounting Standards Update (ASU) 2016-13 - Credit Losses, including our estimated impact upon adoption on its effective date of January 1, 2020.

Liquidity and Capital Management

Liquidity risk, including our liquidity monitoring measures and tools, is described in further detail in the Liquidity and Capital Management section of our 2018 Form 10-K.

One of the ways we monitor our liquidity is by reference to the LCR, a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of liquidity to meet net liquidity needs over the course of a hypothetical 30-day stress scenario. The LCR is calculated by dividing the amount of an institution’s high quality, unencumbered liquid assets (HQLA), as defined and calculated in accordance with the LCR rules, by its estimated net cash outflows, with net cash outflows determined by applying the assumed outflow factors in the LCR rules. The resulting quotient is expressed as a percentage. The minimum LCR that PNC and PNC Bank are required to maintain is 100%. PNC and PNC Bank calculate the LCR daily, and as of June 30, 2019, the LCR for PNC and PNC Bank exceeded the requirement of 100%.

We provide additional information regarding regulatory liquidity requirements and their potential impact on us in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2018 Form 10-K.

Sources of Liquidity

Our largest source of liquidity on a consolidated basis is the customer deposit base generated by our banking businesses. These deposits provide relatively stable and low-cost funding. Total deposits increased to $273.3 billion at June 30, 2019 from $267.8 billion at December 31, 2018 driven by growth in interest-bearing deposits partially offset by a decrease in noninterest-bearing deposits. See the Funding Sources portion of the Consolidated Balance Sheet Review section of this Financial Review for additional information related to our deposits. Additionally, certain assets determined by us to be liquid as well as unused borrowing capacity from a number of sources are also available to manage our liquidity position.

At June 30, 2019, our liquid assets consisted of short-term investments (federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $23.7 billion and securities available for sale totaling $69.4 billion. The level of liquid assets fluctuates over time based on many factors, including market conditions, loan and deposit growth and balance sheet management activities. Our liquid assets included $1.8 billion of securities available for sale and trading securities pledged as collateral to secure public and trust deposits, repurchase agreements and for other purposes. In addition, $7.7 billion of securities held to maturity were also pledged as collateral for these purposes.

We also obtain liquidity through various forms of funding, including long-term debt (senior notes, subordinated debt and FHLB borrowings) and short-term borrowings (securities sold under repurchase agreements, commercial paper and other short-term borrowings). See Note 10 Borrowed Funds in our 2018 Form 10-K and the Funding Sources section of the Consolidated Balance Sheet Review for additional information related to our borrowings.

Total senior and subordinated debt, on a consolidated basis, increased due to the following activity:

Table 25: Senior and Subordinated Debt

In billions	2019
January 1	$ 30.9
Issuances	4.4
Calls and maturities	(3.1)
Other	.9
June 30	$ 33.1

Bank Liquidity

Under PNC Bank's 2014 bank note program, as amended, PNC Bank may from time to time offer up to $40.0 billion aggregate principal amount outstanding at any one time of its unsecured senior and subordinated notes with maturity dates more than nine months (in the case of senior notes) and five years or more (in the case of subordinated notes) from their date of issue. At June 30, 2019, PNC Bank had $24.6 billion of notes outstanding under this program of which $20.4 billion were senior bank notes and $4.2 billion were subordinated bank notes. The following table details issuances for the three months ended June 30, 2019.

Table 26: PNC Bank Notes Issued

Issuance Date	Amount	Description of Issuance
June 10, 2019	$800 million	Senior floating rate notes with a maturity date of June 10, 2021. Callable in whole, but not in part on June 10, 2020, and in whole or in part on or after May 11, 2021. Interest is payable quarterly, at the 3-month LIBOR rate, on March 10, June 10, September 10 and December 10 of each year, beginning September 10, 2019.

See Note 17 Subsequent Events for the July 2019 issuances of $600 million of senior fixed-to-floating rate notes and $900 million of senior floating rate notes by PNC Bank.

PNC Bank maintains additional secured borrowing capacity with the FHLB-Pittsburgh and through the Federal Reserve Bank discount window. The Federal Reserve Bank, however, is not viewed as a primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. At June 30, 2019, our unused secured borrowing capacity at the FHLB-Pittsburgh and the Federal Reserve Bank totaled $35.2 billion.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of June 30, 2019, there were no issuances outstanding under this program.

Parent Company Liquidity

In addition to managing liquidity risk at the bank level, we monitor the parent company's liquidity. The parent company's contractual obligations consist primarily of debt service related to parent company borrowings and funding non-bank affiliates. Additionally, the parent company maintains adequate liquidity to fund discretionary activities such as paying dividends to our shareholders, share repurchases and acquisitions.

As of June 30, 2019, available parent company liquidity totaled $5.3 billion. Parent company liquidity is primarily held in intercompany short-term investments, the terms of which provide for the availability of cash in 31 days or less. Investments with longer durations may also be acquired, but if so, the related maturities are aligned with scheduled cash needs, such as the maturity of parent company debt obligations.

The principal source of parent company liquidity is the dividends it receives from PNC Bank, which may be impacted by the following:

- Bank-level capital needs,
- Laws and regulations,
- Corporate policies,
- Contractual restrictions, and
- Other factors.

There are statutory and regulatory limitations on the ability of a national bank to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank to the parent company without prior regulatory approval was approximately $2.7 billion at June 30, 2019. See Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in our 2018 Form 10-K for a further discussion of these limitations.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. We can also generate liquidity for the parent company and PNC's non-bank subsidiaries through the issuance of debt and equity securities, including certain capital instruments, in public or private markets and commercial paper. The parent company has the ability to offer up to $5.0 billion of commercial paper to provide additional liquidity. As of June 30, 2019, there were no commercial paper issuances outstanding.

The parent company has an effective shelf registration statement pursuant to which we can issue additional debt, equity and other capital instruments. Under this shelf registration statement, on April 22, 2019, the parent company issued $1.5 billion of senior notes with a maturity date of April 23, 2029. Interest is payable semi-annually at a fixed rate of 3.45% per annum, on April 23 and October 23 of each year, beginning on October 23, 2019.

See Note 17 Subsequent Events for information on the July 2019 issuance of $1.0 billion of senior fixed rate notes by the parent company.

Parent company senior and subordinated debt outstanding totaled $8.2 billion and $6.7 billion at June 30, 2019 and December 31, 2018, respectively.

Contractual Obligations and Commitments

We have contractual obligations representing required future payments on borrowed funds, time deposits, leases, pension and postretirement benefits and purchase obligations. See the Liquidity and Capital Management portion of the Risk Management section in our 2018 Form 10-K for more information on these future cash outflows. Additionally, in the normal course of business we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. We provide information on our commitments in Note 13 Commitments in the Notes To Consolidated Financial Statements of this Report.

Credit Ratings

PNC's credit ratings affect the cost and availability of short and long-term funding, collateral requirements for certain derivative instruments and the ability to offer certain products.

In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current legislative and regulatory environment, including implied government support. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect liquidity and financial condition.

Table 27: Credit Ratings for PNC and PNC Bank

	June 30, 2019		
	Moody's	Standard & Poor's	Fitch
PNC			
Senior debt	A3	A-	A+
Subordinated debt	A3	BBB+	A
Preferred stock	Baa2	BBB-	BBB-
PNC Bank			
Senior debt	A2	A	A+
Subordinated debt	A3	A-	A
Long-term deposits	Aa2	A	AA-
Short-term deposits	P-1	A-1	F1+
Short-term notes	P-1	A-1	F1

Capital Management

Detailed information on our capital management processes and activities, including additional information on our previous CCAR submissions and capital plans, is included in the Capital Management portion of the Risk Management section in our 2018 Form 10-K.

We manage our funding and capital positions by making adjustments to our balance sheet size and composition, issuing or redeeming debt, issuing equity or other capital instruments, executing treasury stock transactions and capital redemptions or repurchases, and managing dividend policies and retaining earnings.

In the second quarter of 2019, we repurchased 6.0 million common shares for $.8 billion. We completed common stock repurchase programs of $2.6 billion and repurchased shares for $.2 billion related to employee benefit plans for the four quarter period ending in the second quarter of 2019. A total of $4.5 billion of capital was returned to shareholders over this period through repurchases of 21.4 million common shares for $2.8 billion and dividends on common shares of $1.7 billion.

In connection with the 2019 CCAR process, we submitted our capital plan, as approved by PNC's Board of Directors, to the Federal Reserve in April 2019.The Federal Reserve accepted the capital plan and did not object to our proposed capital actions. As provided in the 2019 capital plan, we announced new share repurchase programs of up to $4.3 billion for the four-quarter period beginning in the third quarter of 2019.

We paid dividends on common stock of $431 million, or $.95 per common share, during thesecond quarter of 2019. On July 9, 2019, the PNC Board of Directors raised the quarterly cash dividend on common stock to $1.15 per share, an increase of 20 cents per share, or 21%, with a payment date of August 5, 2019.

Table 28: Basel III Capital

Dollars in millions		Basel III June 30, 2019
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	$	4,102
Retained earnings		40,616
Accumulated other comprehensive income (loss) for securities currently, and those transferred from, available for sale		954
Accumulated other comprehensive income (loss) for pension and other postretirement plans		(483)
Goodwill, net of associated deferred tax liabilities		(9,021)
Other disallowed intangibles, net of deferred tax liabilities		(230)
Other adjustments/(deductions)		(185)
Total common equity Tier 1 capital before threshold deductions		35,752
Total threshold deductions		(2,909)
Common equity Tier 1 capital	$	32,843
Additional Tier 1 capital		
Preferred stock plus related surplus		3,991
Other adjustments/(deductions)		(159)
Tier 1 capital	$	36,675
Additional Tier 2 capital		
Qualifying subordinated debt		3,611
Trust preferred capital securities		60
Eligible credit reserves includable in Tier 2 capital		3,012
Total Basel III capital	$	43,358
Risk-weighted assets		
Basel III standardized approach risk-weighted assets (a)	$	337,612
Basel III advanced approaches risk-weighted assets (b)	$	309,646
Average quarterly adjusted total assets	$	384,030
Supplementary leverage exposure (c)	$	461,016
Basel III risk-based capital and leverage ratios (d)		
Common equity Tier 1		9.7 %
Tier 1		10.9 %
Total (e)		12.8 %
Leverage (f)		9.6 %
Supplementary leverage ratio (g)		8.0 %

(a) Includes credit and market risk-weighted assets.
(b) Basel III advanced approaches risk-weighted assets are calculated based on the Basel III advanced approaches rules, and include credit, market, and operational risk-weighted assets. During the parallel run qualification phase, PNC has refined the data, models, and internal processes used as part of the advanced approaches for determining risk-weighted assets.
(c) Supplementary leverage exposure is the sum of Adjusted average assets and certain off-balance sheet exposures including undrawn credit commitments and derivative potential future exposures.
(d) For comparative purposes only, the advanced approaches Basel III Common equity Tier 1, Tier 1 risk-based and Total risk-based ratios for June 30, 2019 were 10.6%, 11.8% and 13.1%, respectively.
(e) The 2019 Basel III Total risk-based capital ratio includes nonqualifying trust preferred capital securities of $60 million that are subject to a phase-out period that runs through 2021. For comparative purposes only, as of June 30, 2019 the ratio was 12.8%, assuming nonqualifying trust preferred capital securities are phased out.
(f) Leverage ratio is calculated based on Tier 1 capital divided by Average quarterly adjusted total assets.
(g) Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure.

Because PNC remains in the parallel run qualification phase for the advanced approaches, our regulatory risk-based capital ratios in2019 are calculated using the standardized approach for determining risk-weighted assets. Under the standardized approach for determining credit risk-weighted assets, exposures are generally assigned a pre-defined risk weight. Exposures to high volatility commercial real estate, past due exposures and equity exposures are generally subject to higher risk weights than other types of exposures. Once we exit parallel run, our regulatory risk-based capital ratios will be the lower of the ratios calculated under the standardized approach and the advanced approaches.

Under the Basel III rules applicable to PNC, significant common stock investments in unconsolidated financial institutions (for PNC, primarily BlackRock), mortgage servicing rights and deferred tax assets must be deducted from capital (net of associated deferred tax liabilities) to the extent they individually exceed 10%, or in the aggregate exceed 15%, of the institution's adjusted common equity

Tier 1 capital. Also, Basel III regulatory capital includes AOCI related to securities currently, and those transferred from, available for sale, as well as pension and other postretirement plans.

Federal banking regulators have stated that they expect the largest U.S. bank holding companies (BHCs), including PNC, to have a level of regulatory capital well in excess of the regulatory minimum and have required the largest U.S. BHCs, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. We seek to manage our capital consistent with these regulatory principles, and believe that our June 30, 2019 capital levels were aligned with them.

At June 30, 2019, PNC and PNC Bank, our sole bank subsidiary, were both considered "well capitalized," based on applicable U.S. regulatory capital ratio requirements. To qualify as "well capitalized", PNC must have Basel III capital ratios of at least 6% for Tier 1 risk-based capital and 10% for Total risk-based capital, and PNC Bank must have Basel III capital ratios of at least 6.5% for Common equity Tier 1 risk-based capital, 8% for Tier 1 risk-based capital, 10% for Total risk-based capital and a Leverage ratio of at least 5%.

We provide additional information regarding regulatory capital requirements and some of their potential impacts on us in the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors and Note 18 Regulatory Matters in our 2018 Form 10-K.

Market Risk Management

See the Market Risk Management portion of the Risk Management Section in our 2018 Form 10-K for additional discussion regarding market risk.

Market Risk Management – Interest Rate Risk

Interest rate risk results primarily from our traditional banking activities of gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences, affect the difference between the interest that we earn on assets and the interest that we pay on liabilities and the level of our noninterest-bearing funding sources. Due to the repricing term mismatches and embedded options inherent in certain of these products, changes in market interest rates not only affect expected near-term earnings, but also the economic values of these assets and liabilities.

The interest rates that we pay on customer deposits have risen in recent quarters as a result of higher short-term market interest rates. The rates paid on commercial deposits have had a higher correlation to increases in short-term interest rates, as compared to the rates paid on consumer deposits. The rates paid on customer deposits are also impacted by factors including the level of interest rates, competition for deposits, new product offerings, changes in business strategies and customer migration to higher rate accounts.

Our Asset and Liability Management group centrally manages interest rate risk as prescribed in our risk management policies, which are approved by management's Asset and Liability Committee and the Risk Committee of the Board of Directors.
Sensitivity results and market interest rate benchmarks for the second quarters of 2019 and 2018 follow.

Table 29: Interest Sensitivity Analysis

	Second Quarter 2019	Second Quarter 2018
Net Interest Income Sensitivity Simulation (a)		
Effect on net interest income in first year from gradual interest rate change over the following 12 months of:		
100 basis point increase	1.9 %	2.0 %
100 basis point decrease	(2.6)%	(2.5)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	4.8 %	4.1 %
100 basis point decrease	(7.6)%	(6.5)%
Duration of Equity Model (a)		
Base case duration of equity (in years)	(4.7)	(.1)
Key Period-End Interest Rates		
One-month LIBOR	2.40 %	2.09 %
Three-month LIBOR	2.32 %	2.34 %
Three-year swap	1.74 %	2.86 %

(a) Given the inherent limitations in certain of these measurement tools and techniques, results become less meaningful as interest rates approach zero.

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. Table 30 reflects the percentage change in net interest income over the next two 12-month periods assuming (i) the PNC Economist's most likely rate forecast, (ii) implied market forward rates and (iii) yield curve slope flattening (a 100 basis point yield curve slope flattening between one-month and ten-year rates superimposed on current base rates) scenario.

All changes in forecasted net interest income are relative to results in a base rate scenario where current market rates are assumed to remain unchanged over the forecast horizon.

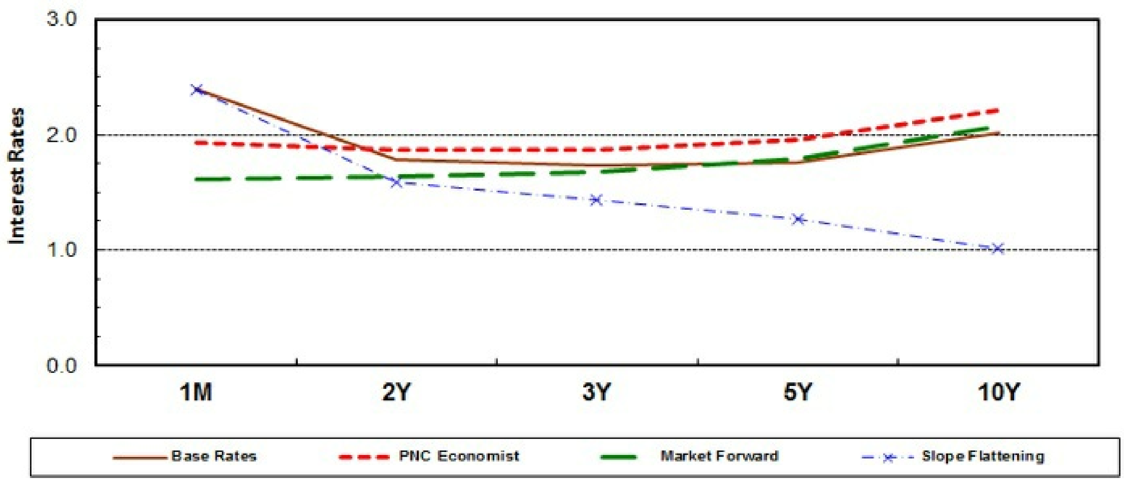
Table 30: Net Interest Income Sensitivity to Alternative Rate Scenarios

	June 30, 2019		
	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	.3 %	(.5)%	(1.3)%
Second year sensitivity	2.7 %	(.1)%	(4.8)%

When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business and the behavior of existing on- and off-balance sheet positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in Tables 29 and 30. These simulations assume that as assets and liabilities mature, they are replaced or repriced at then current market rates.

The following graph presents the LIBOR/Swap yield curves for the base rate scenario and each of the alternate scenarios one year forward.

Table 31: Alternate Interest Rate Scenarios: One Year Forward



The second quarter 2019 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

Market Risk Management – Customer-Related Trading Risk
We engage in fixed income securities, derivatives and foreign exchange transactions to support our customers' investing and hedging activities. These transactions, related hedges and the credit valuation adjustment related to our customer derivatives portfolio are marked-to-market daily and reported as customer-related trading activities. We do not engage in proprietary trading of these products.

We use value-at-risk (VaR) as the primary means to measure and monitor market risk in customer-related trading activities. VaR is used to estimate the probability of portfolio losses based on the statistical analysis of historical market risk factors. A diversified VaR reflects empirical correlations across different asset classes. We calculate a diversified VaR at a 95% confidence interval and the results for the first six months of 2019 and 2018 were within our acceptable limits.

See the Market Risk Management – Customer-Related Trading Risk section of our 2018 Form 10-K for more information on our models used to calculate VaR and our backtesting process.

Customer related trading revenue was $135 million for the six months ended June 30, 2019 compared to $143 million for the same period in 2018. The decrease was primarily due to reduced foreign exchange client sales revenue. For the quarterly period, customer related trading revenue was $87 million for the second quarter of 2019 compared to $66 million in 2018. The increase is almost entirely driven by the impact of changes in credit valuations for customer-related derivatives.

Market Risk Management – Equity And Other Investment Risk
Equity investment risk is the risk of potential losses associated with investing in both private and public equity markets. In addition to extending credit, taking deposits, underwriting securities and trading financial instruments, we make and manage direct investments in a variety of transactions, including management buyouts, recapitalizations and growth financings in a variety of industries. We also have investments in affiliated and non-affiliated funds that make similar investments in private equity. The economic and/or book value of these investments and other assets are directly affected by changes in market factors.

Various PNC business units manage our equity and other investment activities. Our businesses are responsible for making investment decisions within the approved policy limits and associated guidelines.

A summary of our equity investments follows:

Table 32: Equity Investments Summary

Dollars in millions	June 30 2019	December 31 2018	Change $	Change %
BlackRock	$ 8,184	$ 8,016	$ 168	2 %
Tax credit investments	2,047	2,219	(172)	(8)%
Private equity and other	2,770	2,659	111	4 %
Total	$ 13,001	$ 12,894	$ 107	1 %

<u>BlackRock</u>
We owned approximately 35 million common stock equivalent shares of BlackRock equity at June 30, 2019, accounted for under the equity method. The Business Segments Review section of this Financial Review includes additional information about BlackRock.

<u>Tax Credit Investments</u>
Included in our equity investments are direct tax credit investments and equity investments held by consolidated entities. These tax credit investment balances included unfunded commitments totaling $.7 billion and $.8 billion at June 30, 2019 and December 31, 2018, respectively. These unfunded commitments are included in Other liabilities on our Consolidated Balance Sheet.

Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in our 2018 Form 10-K has further information on Tax Credit Investments.

<u>Private Equity and Other</u>
The majority of our other equity investments consists of our private equity portfolio. The private equity portfolio is an illiquid portfolio consisting of mezzanine and equity investments that vary by industry, stage and type of investment. Private equity investments carried at estimated fair value totaled $1.5 billion at both June 30, 2019 and December 31, 2018. As of June 30, 2019, $1.3 billion was invested directly in a variety of companies and $.2 billion was invested indirectly through various private equity funds. See the Supervision and Regulation section in Item 1 of our 2018 Form 10-K for discussion of the potential impacts of the Volcker Rule provisions of Dodd-Frank on our interests in and other relationships with private funds covered by the Volcker Rule.

Included in our other equity investments are Visa Class B common shares, which are recorded at cost. Visa Class B common shares that we own are transferable only under limited circumstances until they can be converted into shares of the publicly-traded Class A common shares, which cannot happen until the resolution of the pending interchange litigation. Based upon the June 30, 2019 per share closing price of $173.55 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately $995 million at the current conversion rate of Visa B shares to Visa A shares, while our cost basis was not significant. See Note 6 Fair Value and Note 19 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of our 2018 10-K for additional information regarding our Visa agreements. The estimated value does not represent fair value of the Visa B common shares given the share's limited transferability and the lack of observable transactions in the marketplace.

We also have certain other equity investments, the majority of which represent investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. Net gains related to these investments were not significant at June 30, 2019 and June 30, 2018.

Financial Derivatives
We use a variety of financial derivatives as part of the overall asset and liability risk management process to help manage exposure to market (primarily interest rate) and credit risk inherent in our business activities. We also enter into derivatives with customers to facilitate their risk management activities.

Financial derivatives involve, to varying degrees, market and credit risk. Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional and an underlying as specified in the contract. Therefore, cash requirements and exposure to credit risk are significantly less than the notional amount on these instruments.

Further information on our financial derivatives is presented in Note 1 Accounting Policies and Note 6 Fair Value in our Notes To Consolidated Financial Statements in our 2018 Form 10-K and in Note 6 Fair Value and Note 9 Financial Derivatives in the Notes To Consolidated Financial Statements in this Report.

Not all elements of market and credit risk are addressed through the use of financial derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market changes, among other reasons.

Recent Regulatory Developments

In June 2019, the Securities and Exchange Commission (SEC) adopted Regulation Best Interest, a new mandated summary disclosure form to be provided to retail customers of registered broker-dealers and investment advisers, and new interpretations of the Investment Advisers Act of 1940 (Advisers Act). Companies must begin complying with Regulation Best Interest, which will impose a new standard of conduct on SEC-registered broker-dealers when making recommendations to retail customers, and the new disclosure requirements by June 30, 2020; the new interpretations of the Advisers Act became effective in July 2019. These new rules and interpretations primarily affect our Asset Management Group and the retail securities brokerage business within our Retail Banking segment. As these segments were already focused on serving the best interest of our customers, we do not anticipate that the changes will have a material impact on our operations.

Critical Accounting Estimates and Judgments

Note 1 Accounting Policies of our 2018 Form 10-K describes the most significant accounting policies that we use to prepare our consolidated financial statements. Certain of these policies require us to make estimates or economic assumptions that may vary under different assumptions or conditions and such variations may significantly affect our reported results and financial position for the period or in future periods.

The following critical accounting policies and judgments are described in more detail in Critical Accounting Estimates and Judgments in Item 7 of our 2018 Form 10-K:

- Fair Value Measurements
- Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit
- Residential and Commercial Mortgage Servicing Rights

Recently Issued Accounting Standards

ASU	Description	Financial Statement Impact
Credit Losses - ASU 2016-13 Issued June 2016	• Required effective date of January 1, 2020. • Requires the use of an expected credit loss methodology; specifically, current expected credit losses (CECL) for the remaining life of the asset will be recognized at the time of origination or acquisition. • Methodology will apply to loans, net investment in leases, debt securities and certain financial assets not accounted for at fair value through net income. It will also apply to off-balance sheet credit exposures except for unconditionally cancellable commitments. • In-scope assets will be presented at the net amount expected to be collected after deducting the allowance for credit losses (ACL) from the amortized cost basis of the assets. • Requires enhanced credit quality disclosures including disaggregation of credit quality indicators by vintage. • Requires a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption.	• We plan to adopt the CECL standard on its effective date. • We have a company-wide, cross-functional governance structure that we established in the third quarter of 2016 to oversee overall strategy for implementation of the CECL standard. • We have prepared CECL accounting policies and continue to refine and test our models, estimation techniques, data, operational processes and financial controls which will be used to calculate our ACL under the CECL standard. We will continue to refine our interpretations, methodology, data and operational processes based upon our reviews and tests. • The Financial Accounting Standards Board (FASB) recently issued two ASUs that clarified treatment of several topics in the CECL standard, including recoveries and accrued interest, which we plan to implement. The FASB also recently proposed an ASU providing additional guidance on selected topics and we are awaiting final guidance to implement any necessary changes. • The ACL will be based on our historical loss experience, borrower characteristics, forecasts of future economic conditions and other relevant factors. We will use forecasted scenarios produced by our economics team using a combination of structural macroeconomic models and expert judgment. These scenarios are designed to reflect a range of plausible economic conditions and their related estimated probabilities and are informed by current economic conditions and expected business cycle evolution. • We will use models and other estimation techniques that are sensitive to changes in forecasted economic conditions, to interpret borrower and economic factors in order to estimate the ACL. The estimate will include a three year reasonable and supportable forecast period, and thereafter will revert to a long-run average derived from historical information. We will also apply qualitative factors that could be related to idiosyncratic risk factors, changes in current economic conditions that may not be reflected in quantitatively derived results, or other relevant factors to ensure the ACL reflects our best estimate of current expected credit losses. • The magnitude of change to the ACL at the adoption date will depend upon the nature and characteristics of the loans, net investment in leases, debt securities and certain financial assets, as well as economic conditions and forecasts at the adoption date. Based on our forecasted economic conditions and portfolio balances at June 30, 2019, the adoption of the CECL standard could result in an overall ACL increase of 15% to 25%, as compared to our current aggregate reserve levels. We believe that given current conditions, our credit loss reserves will increase primarily for longer duration consumer loans, due to the difference between loss emergence periods currently used versus the remaining life of the asset required by the CECL standard. Additionally, the ACL could produce higher volatility in the quarterly provision for credit losses than our current reserve process. • The estimated impact of the CECL standard implementation is based on the current state of our end-to-end CECL process and is inclusive of quantitative results and qualitative factors. This process is still under development, including refinement and development of certain models, estimation techniques and the build-out of the operational and control structure supporting the end-to-end process. The reserve amount to be recorded at the January 1, 2020 transition date may differ from our estimate due to further process refinement and accounting for changes in balances and economics and other assumptions.
Goodwill - ASU 2017-04 Issued January 2017	• Required effective date of January 1, 2020. • Eliminates Step 2 from the goodwill impairment test to simplify the subsequent measurement of goodwill under which a loss was recognized only if the estimated implied fair value of the goodwill is below its carrying value. • Requires impairment to be recognized if the carrying amount exceeds the reporting unit’s fair value.	• We plan to adopt the standard on its effective date and we do not expect the adoption of this standard to impact our consolidated results of operations or our consolidated financial position.

Codification Improvements - ASU 2019-04 Topic 3: Codification Improvements to ASU 2017-12 and Other Hedging Items Issued April 2019	• Required effective date of January 1, 2020 with early adoption permitted if ASU 2017-12 was previously adopted. • Targeted improvements related to: - Partial-term fair value hedges of interest rate risk - Amortization of fair value hedge basis adjustments - Disclosure of fair value hedge basis adjustments - Consideration of the hedged contractually specified interest rate under the hypothetical derivative method - Application of a first-payments-received cash flow hedging technique to overall cash flows on a group of variable interest payments - Update to transition guidance for ASU 2017-12	• We are currently assessing the potential impact to PNC upon adoption of these codification improvements.

Recently Adopted Accounting Standards
See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in this Report regarding the impact of new accounting pronouncements.

Off-Balance Sheet Arrangements And Variable Interest Entities

We engage in a variety of activities that involve entities that are not consolidated or otherwise reflected in our Consolidated Balance Sheet that are generally referred to as off-balance sheet arrangements. Additional information on these types of activities is included in our 2018 Form 10-K and in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities and Note 13 Commitments in the Notes To Consolidated Financial Statements included in this Report.

A summary and further description of variable interest entities (VIEs) is included in Note 1 Accounting Policies and Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our 2018 Form 10-K.

Trust Preferred Securities

See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in our 2018 Form 10-K for additional information on trust preferred securities issued by PNC Capital Trust C including information on contractual limitations potentially imposed on payments (including dividends) with respect to PNC's equity securities.

Internal Controls And Disclosure Controls And Procedures

As of June 30, 2019, we performed an evaluation under the supervision of and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) were effective as of June 30, 2019, and that there has been no change in PNC's internal control over financial reporting that occurred during the second quarter of 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Glossary of Terms

For a glossary of terms commonly used in our filings, please see the glossary of terms included in our 2018 Form 10-K.

Cautionary Statement Regarding Forward-Looking Information

We make statements in this Report, and we may from time to time make other statements, regarding our outlook for 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 that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as “believe,” “plan,” “expect,” “anticipate,” “see,” “look,” “intend,” “outlook,” “project,” “forecast,” “estimate,” “goal,” “will,” “should” and other similar words and expressions. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time.

Forward-looking statements speak only as of the date made. We do not assume any duty to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

Our forward-looking statements are subject to the following principal risks and uncertainties.

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:
  – Changes in interest rates and valuations in debt, equity and other financial markets.
  – Disruptions in the U.S. and global financial markets.
  – Actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.
  – Changes in customer behavior due to recently enacted tax legislation, changing business and economic conditions or legislative or regulatory initiatives.
  – Changes in customers’, suppliers’ and other counterparties’ performance and creditworthiness.
  – Impacts of tariffs and other trade policies of the U.S. and its global trading partners.
  – Slowing or reversal of the current U.S. economic expansion.
  – Commodity price volatility.
- Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our views that:
  – U.S. economic growth has accelerated over the past two years to above its long-run trend. However, growth is expected to slow over the course of 2019 and into 2020.
  – Further gradual improvement in the labor market will occur this year, including job gains and rising wages, which would be a positive indicator for consumer spending.
  – Slower economic growth, trade restrictions and geopolitical concerns are downside risks to the forecast.
  – Inflation has slowed in early 2019, to below the FOMC’s 2% objective, but is expected to gradually increase over the next two years.
  – Our baseline forecast is for two .25% cuts to the federal funds rate in July and October 2019, taking the rate to a range of 1.75 to 2.00% by the end of 2019.
- Our ability to take certain capital actions, including returning capital to shareholders, is subject to review by the Federal Reserve Board as part of our comprehensive capital plan for the applicable period in connection with the Federal Reserve Board’s CCAR process and to the acceptance of such capital plan and non-objection to such capital actions by the Federal Reserve Board.
- Our regulatory capital ratios in the future will depend on, among other things, the company’s financial performance, the scope and terms of final capital regulations then in effect and management actions affecting the composition of our balance sheet. In addition, our ability to determine, evaluate and forecast regulatory capital ratios, and to take actions (such as capital distributions) based on actual or forecasted capital ratios, will be dependent at least in part on the development, validation and regulatory review of related models.
- Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:
  – Changes to laws and regulations, including changes affecting oversight of the financial services industry, consumer protection, bank capital and liquidity standards, pension, bankruptcy and other industry aspects, and changes in accounting policies and principles.
  – Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries. These matters may result in monetary judgments or settlements or other remedies, including fines, penalties, restitution or alterations in our business practices, and in additional expenses and collateral costs, and may cause reputational harm to us.
  – Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.
  – Impact on business and operating results of any costs associated with obtaining rights in intellectual property claimed by others and of adequacy of our intellectual property protection in general.
- Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of systems and controls, third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital and liquidity standards.

- Business and operating results also include impacts relating to our equity interest in BlackRock, Inc. and rely to a significant extent on information provided to us by BlackRock. Risks and uncertainties that could affect BlackRock are discussed in more detail by BlackRock in its SEC filings.
- We grow our business in part through acquisitions and new strategic initiatives. Risks and uncertainties include those presented by the nature of the business acquired and strategic initiative, including in some cases those associated with our entry into new businesses or new geographic or other markets and risks resulting from our inexperience in those new areas, as well as risks and uncertainties related to the acquisition transactions themselves, regulatory issues, and the integration of the acquired businesses into PNC after closing.
- Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Our ability to anticipate and respond to technological changes can also impact our ability to respond to customer needs and meet competitive demands.
- Business and operating results can also be affected by widespread natural and other disasters, pandemics, dislocations, terrorist activities, system failures, security breaches, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically.

We provide greater detail regarding these as well as other factors in our 2018 Form 10-K and elsewhere in this Report, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments Notes of the Notes To Consolidated Financial Statements in these reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this Report or in our other filings with the SEC.

CONSOLIDATED INCOME STATEMENT
THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions, except per share data	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Interest Income				
Loans	$ 2,672	$ 2,345	$ 5,274	$ 4,573
Investment securities	629	557	1,249	1,069
Other	196	180	402	358
Total interest income	3,497	3,082	6,925	6,000
Interest Expense				
Deposits	515	261	987	474
Borrowed funds	484	408	965	752
Total interest expense	999	669	1,952	1,226
Net interest income	2,498	2,413	4,973	4,774
Noninterest Income				
Asset management	445	456	882	911
Consumer services	392	381	763	738
Corporate services	484	487	946	916
Residential mortgage	82	84	147	181
Service charges on deposits	171	169	339	336
Other	367	334	675	579
Total noninterest income	1,941	1,911	3,752	3,661
Total revenue	4,439	4,324	8,725	8,435
Provision For Credit Losses	180	80	369	172
Noninterest Expense				
Personnel	1,365	1,356	2,779	2,710
Occupancy	212	203	427	421
Equipment	298	281	571	554
Marketing	83	75	148	130
Other	653	669	1,264	1,296
Total noninterest expense	2,611	2,584	5,189	5,111
Income before income taxes and noncontrolling interests	1,648	1,660	3,167	3,152
Income taxes	274	304	522	557
Net income	1,374	1,356	2,645	2,595
Less: Net income attributable to noncontrolling interests	12	10	22	20
Preferred stock dividends	55	55	118	118
Preferred stock discount accretion and redemptions	1	1	2	2
Net income attributable to common shareholders	$ 1,306	$ 1,290	$ 2,503	$ 2,455
Earnings Per Common Share				
Basic	$ 2.89	$ 2.74	$ 5.51	$ 5.19
Diluted	$ 2.88	$ 2.72	$ 5.49	$ 5.15
Average Common Shares Outstanding				
Basic	451	469	453	471
Diluted	452	472	454	474

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Net income	$ 1,374	$ 1,356	$ 2,645	$ 2,595
Other comprehensive income (loss), before tax and net of reclassifications into Net income:				
Net unrealized gains (losses) on non-OTTI securities	694	(155)	1,333	(801)
Net unrealized gains (losses) on OTTI securities		3	9	17
Net unrealized gains (losses) on cash flow hedge derivatives	254	(113)	354	(306)
Pension and other postretirement benefit plan adjustments	(84)	6	61	69
Other	(30)	(35)	4	(8)
Other comprehensive income (loss), before tax and net of reclassifications into Net income	834	(294)	1,761	(1,029)
Income tax benefit (expense) related to items of other comprehensive income	(198)	53	(405)	231
Other comprehensive income (loss), after tax and net of reclassifications into Net income	636	(241)	1,356	(798)
Comprehensive income	2,010	1,115	4,001	1,797
Less: Comprehensive income attributable to noncontrolling interests	12	10	22	20
Comprehensive income attributable to PNC	$ 1,998	$ 1,105	$ 3,979	$ 1,777

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions, except par value	June 30 2019	December 31 2018
Assets		
Cash and due from banks	$ 5,416	$ 5,608
Interest-earning deposits with banks	18,362	10,893
Loans held for sale (a)	1,144	994
Investment securities – available for sale	69,355	63,389
Investment securities – held to maturity	18,948	19,312
Loans (a)	237,215	226,245
Allowance for loan and lease losses	(2,721)	(2,629)
Net loans	234,494	223,616
Equity investments (b)	13,001	12,894
Mortgage servicing rights	1,627	1,983
Goodwill	9,221	9,218
Other (a)	34,193	34,408
Total assets	$ 405,761	$ 382,315
Liabilities		
Deposits		
Noninterest-bearing	$ 69,867	$ 73,960
Interest-bearing	203,393	193,879
Total deposits	273,260	267,839
Borrowed funds		
Federal Home Loan Bank borrowings	29,376	21,501
Bank notes and senior debt	27,694	25,018
Subordinated debt	5,406	5,895
Other (c)	6,549	5,005
Total borrowed funds	69,025	57,419
Allowance for unfunded loan commitments and letters of credit	291	285
Accrued expenses and other liabilities	13,804	9,002
Total liabilities	356,380	334,545
Equity		
Preferred stock (d)		
Common stock ($5 par value, Authorized 800 shares, issued 542 shares)	2,711	2,711
Capital surplus	16,248	16,277
Retained earnings	40,616	38,919
Accumulated other comprehensive income (loss)	631	(725)
Common stock held in treasury at cost: 95 and 85 shares	(10,866)	(9,454)
Total shareholders’ equity	49,340	47,728
Noncontrolling interests	41	42
Total equity	49,381	47,770
Total liabilities and equity	$ 405,761	$ 382,315

(a) Our consolidated assets included the following for which we have elected the fair value option: Loans held for sale of $1.1 billion, Loans of $.8 billion and Other assets of $.1 billion at June 30, 2019 and Loans held for sale of $.9 billion, Loans of $.8 billion and Other assets of $.2 billion at December 31, 2018.
(b) Amounts include our equity interest in BlackRock.
(c) Our consolidated liabilities at both June 30, 2019 and December 31, 2018 included Other borrowed funds of $.1 billion for which we have elected the fair value option.
(d) Par value less than $.5 million at each date.

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions	Six months ended June 30 2019	2018
Operating Activities		
Net income	$ 2,645	$ 2,595
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for credit losses	369	172
Depreciation and amortization	579	567
Deferred income taxes	106	167
Changes in fair value of mortgage servicing rights	502	(76)
Undistributed earnings of BlackRock	(220)	(268)
Net change in		
Trading securities and other short-term investments	1,465	161
Loans held for sale	(116)	1,322
Other assets	(2,286)	(1,708)
Accrued expenses and other liabilities	812	1,563
Other	(212)	44
Net cash provided (used) by operating activities	$ 3,644	$ 4,539
Investing Activities		
Sales		
Securities available for sale	$ 2,817	$ 5,189
Loans	520	761
Repayments/maturities		
Securities available for sale	4,795	4,478
Securities held to maturity	1,155	1,254
Purchases		
Securities available for sale	(11,141)	(13,776)
Securities held to maturity	(292)	(2,663)
Loans	(735)	(299)
Net change in		
Federal funds sold and resale agreements	4,538	434
Interest-earning deposits with banks	(7,469)	6,623
Loans	(11,169)	(3,472)
Other	(502)	(988)
Net cash provided (used) by investing activities	$ (17,483)	$ (2,459)

(continued on following page)

CONSOLIDATED STATEMENT OF CASH FLOWS
THE PNC FINANCIAL SERVICES GROUP, INC.
(continued from previous page)

Unaudited In millions	Six Months Ended June 30 2019	2018
Financing Activities		
Net change in		
Noninterest-bearing deposits	$ (3,992)	$ (862)
Interest-bearing deposits	9,514	649
Federal funds purchased and repurchase agreements	1,546	511
Federal Home Loan Bank borrowings	6,875	2,500
Commercial paper		(100)
Other borrowed funds	(119)	(225)
Sales/issuances		
Federal Home Loan Bank borrowings	12,000	1,500
Bank notes and senior debt	4,438	2,738
Other borrowed funds	771	256
Common and treasury stock	40	40
Repayments/maturities		
Federal Home Loan Bank borrowings	(11,000)	(3,001)
Bank notes and senior debt	(2,350)	(2,850)
Subordinated debt	(700)	(324)
Other borrowed funds	(777)	(264)
Acquisition of treasury stock	(1,613)	(1,641)
Preferred stock cash dividends paid	(118)	(118)
Common stock cash dividends paid	(868)	(713)
Net cash provided (used) by financing activities	$ 13,647	$ (1,904)
Net Increase (Decrease) In Cash And Due From Banks	(192)	176
Cash and due from banks at beginning of period	5,608	5,249
Cash and due from banks at end of period	$ 5,416	$ 5,425
Supplemental Disclosures		
Interest paid	$ 1,905	$ 1,182
Income taxes paid	$ 217	$ 102
Income taxes refunded	$ 7	$ 461
Leased assets obtained in exchange for new operating lease liabilities	$ 236	
Right-of-use assets recognized at adoption of ASU 2016-02	$ 2,004	
Non-cash Investing and Financing Items		
Transfer from loans to loans held for sale, net	$ 256	$ 294
Transfer from loans to foreclosed assets	$ 90	$ 100

See accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE PNC FINANCIAL SERVICES GROUP, INC.
Unaudited

BUSINESS

The PNC Financial Services Group, Inc. (PNC) is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania.

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 in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the U.S.

NOTE 1 ACCOUNTING POLICIES

Basis of Financial Statement Presentation

Our consolidated financial statements include the accounts of the parent company and its subsidiaries, most of which are wholly-owned, certain partnership interests and variable interest entities.

We prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the current period presentation, which did not have a material impact on our consolidated financial condition or results of operations.

In our opinion, the unaudited interim consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

We have also considered the impact of subsequent events on these consolidated financial statements.

When preparing these unaudited interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2018 Form 10-K. Reference is made to Note 1 Accounting Policies in our2018 Form 10-K for a detailed description of significant accounting policies. There have been no significant changes to our accounting policies as disclosed in our 2018 Form 10-K, except for the adoption of the new leasing standard included in this Note 1 in the first quarter of 2019. These interim consolidated financial statements serve to update our 2018 Form 10-K and may not include all information and Notes necessary to constitute a complete set of financial statements.

Use of Estimates

We prepared these consolidated financial statements using financial information available at the time of preparation, which requires us to make estimates and assumptions that affect the amounts reported. Our most significant estimates pertain to our fair value measurements and allowances for loan and lease losses and unfunded loan commitments and letters of credit. Actual results may differ from the estimates and the differences may be material to the consolidated financial statements.

Leases

We provide financing for various types of equipment, including aircraft, energy and power systems, and vehicles through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased equipment, less unearned income. We recognize income over the term of the lease using the constant effective yield method. Direct financing lease residual values are reviewed for impairment in accordance with the Allowance for Loan and Lease (ALLL) processes. Gains or losses on the sale of leased assets are included in Other noninterest income while impairment on the net investment of leases is included in Provision for credit losses.

We also enter into various lease arrangements, primarily involving real estate, and other equipment, as the lessee. For those classified as operating leases, we recognize a lease liability, representing the present value of the minimum lease payments, and a corresponding right of use (ROU) asset. On the consolidated balance sheet, the ROU asset and lease liability are included in Other assets and Other liabilities, respectively.

When we adopted the Accounting Standards Update (ASU) 2016-02 - Leases as of January 1, 2019, we recognized lease liabilities and right-of-use assets of $2.1 billion and $2.0 billion, respectively. In addition, we recognized a one-time pretax adjustment of $83 million to retained earnings, related primarily to deferred gains on previous sale-leaseback transactions. See Note 16 Leases for additional information related to leases within the scope of ASC 842.

Recently Adopted Accounting Standards

During the second quarter of 2019, we did not adopt any new accounting standards that had a significant impact.

NOTE 2 LOAN SALE AND SERVICING ACTIVITIES AND VARIABLE INTEREST ENTITIES

Loan Sale and Servicing Activities

As more fully described in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our 2018 Form 10-K, we have transferred residential and commercial mortgage loans in securitization or sales transactions in which we have continuing involvement. Our continuing involvement generally consists of servicing, repurchasing previously transferred loans under certain conditions and loss share arrangements, and, in limited circumstances, holding of mortgage-backed securities issued by the securitization special purpose entities (SPEs).

We earn servicing and other ancillary fees for our role as servicer and, depending on the contractual terms of the servicing arrangement, we can be terminated as servicer with or without cause. At the consummation date of each type of loan transfer where we retain the servicing, we recognize a servicing right at fair value. See Note 6 Fair Value and Note 7 Goodwill and Mortgage Servicing Rights for information on our servicing rights, including the carrying value of servicing assets.

The following table provides cash flows associated with our loan sale and servicing activities:

Table 33: Cash Flows Associated with Loan Sale and Servicing Activities

In millions	Residential Mortgages	Commercial Mortgages (a)
Cash Flows - Three months ended June 30, 2019		
Sales of loans (b)	$ 890	$ 446
Repurchases of previously transferred loans (c)	$ 61	$ 4
Servicing fees (d)	$ 88	$ 32
Servicing advances recovered/(funded), net	$ 11	$ 39
Cash flows on mortgage-backed securities held (e)	$ 751	$ 15
Cash Flows - Three months ended June 30, 2018		
Sales of loans (b)	$ 1,051	$ 458
Repurchases of previously transferred loans (c)	$ 77	
Servicing fees (d)	$ 89	$ 35
Servicing advances recovered/(funded), net	$ 39	$ (12)
Cash flows on mortgage-backed securities held (e)	$ 449	$ 28
Cash Flows - Six months ended June 30, 2019		
Sales of loans (b)	$ 1,606	$ 1,090
Repurchases of previously transferred loans (c)	$ 154	$ 4
Servicing fees (d)	$ 174	$ 63
Servicing advances recovered/(funded), net	$ 28	$ 16
Cash flows on mortgage-backed securities held (e)	$ 1,259	$ 29
Cash Flows - Six months ended June 30, 2018		
Sales of loans (b)	$ 2,244	$ 1,660
Repurchases of previously transferred loans (c)	$ 196	
Servicing fees (d)	$ 181	$ 66
Servicing advances recovered/(funded), net	$ 43	$ 5
Cash flows on mortgage-backed securities held (e)	$ 871	$ 49

(a) Represents cash flow information associated with both commercial mortgage loan transfers and servicing activities.
(b) Gains/losses recognized on sales of loans were insignificant for the periods presented.
(c) Includes both residential and commercial mortgage government insured or guaranteed loans eligible for repurchase through the exercise of our removal of account provision option, as well as residential mortgage loans repurchased due to alleged breaches of origination covenants or representations and warranties made to purchasers.
(d) Includes contractually specified servicing fees, late charges and ancillary fees.
(e) Represents cash flows on securities where we transferred to and/or service loans for a securitization SPE and we hold securities issued by that SPE. The carrying values of such securities held were $17.5 billion, $ 13.3 billion, and $12.4 billion in residential mortgage-backed securities and $.6 billion, $ .6 billion, and $ .7 billion in commercial mortgage-backed securities at June 30, 2019, December 31, 2018, and June 30, 2018, respectively.

Table 34 presents information about the principal balances of transferred loans that we service and are not recorded on our Consolidated Balance Sheet. We would only experience a loss on these transferred loans if we were required to repurchase a loan, where the repurchase price exceeded the loan's fair value, due to a breach in representations and warranties or a loss sharing arrangement associated with our continuing involvement with these loans. The estimate of losses related to breaches in representations and warranties was insignificant at June 30, 2019.

Table 34: Principal Balance, Delinquent Loans and Net Charge-offs Related to Serviced Loans For Others

In millions	Residential Mortgages	Commercial Mortgages (a)
June 30, 2019		
Total principal balance	$ 51,821	$ 49,474
Delinquent loans (b)	$ 572	$ 95
December 31, 2018		
Total principal balance	$ 54,028	$ 47,969
Delinquent loans (b)	$ 622	$ 234
Three months ended June 30, 2019		
Net charge-offs (c)	$ 13	$ 178
Three months ended June 30, 2018		
Net charge-offs (c)	$ 13	$ 22
Six months ended June 30, 2019		
Net charge-offs (c)	$ 24	$ 296
Six months ended June 30, 2018		
Net charge-offs (c)	$ 25	$ 52

(a) Represents information at the securitization level in which we have sold loans and we are the servicer for the securitization.
(b) Serviced delinquent loans are 90 days or more past due or are in process of foreclosure.
(c) Net charge-offs for Residential mortgages represent credit losses less recoveries distributed and as reported to investors during the period. Net charge-offs for Commercial mortgages represent credit losses less recoveries distributed and as reported by the trustee for commercial mortgage backed securitizations. Realized losses for Agency securitizations are not reflected as we do not manage the underlying real estate upon foreclosure and, as such, do not have access to loss information.

Variable Interest Entities (VIEs)

As discussed in Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in our2018 Form 10-K, we are involved with various entities in the normal course of business that are deemed to be VIEs.

The following table provides a summary of non-consolidated VIEs with which we have significant continuing involvement but are not the primary beneficiary. We have excluded certain transactions with non-consolidated VIEs from the balances presented in Table 35 where we have determined that our continuing involvement is not significant. We do not consider our continuing involvement to be significant when it relates to a VIE where we only invest in securities issued by the VIE and were not involved in the design of the VIE or where no transfers have occurred between us and the VIE. In addition, where we only have lending arrangements in the normal course of business with entities that could be VIEs, we have excluded these transactions with non-consolidated entities from the balances presented in Table 35. These loans are included as part of the asset quality disclosures that we make in Note 3 Asset Quality.

Table 35: Non-Consolidated VIEs

In millions	PNC Risk of Loss (a)	Carrying Value of Assets Owned by PNC	Carrying Value of Liabilities Owned by PNC
June 30, 2019			
Mortgage-backed securitizations (b)	$ 18,323	$ 18,323 (c)	
Tax credit investments and other	2,858	2,878 (d)	$ 845 (e)
Total	$ 21,181	$ 21,201	$ 845
December 31, 2018			
Mortgage-backed securitizations (b)	$ 14,266	$ 14,266 (c)	
Tax credit investments and other	2,949	2,911 (d)	$ 806 (e)
Total	$ 17,215	$ 17,177	$ 806

(a) Represents loans, investments and other assets related to non-consolidated VIEs, net of collateral (if applicable). The risk of loss excludes any potential tax recapture associated with tax credits investments.
(b) Amounts reflect involvement with securitization SPEs where we transferred to and/or service loans for an SPE and we hold securities issued by that SPE. Values disclosed in the PNC Risk of Loss column represent our maximum exposure to loss for those securities' holdings.
(c) Included in Investment securities, Mortgage servicing rights and Other assets on our Consolidated Balance Sheet.
(d) Included in Investment securities, Loans, Equity investments and Other assets on our Consolidated Balance Sheet.
(e) Included in Deposits and Other liabilities on our Consolidated Balance Sheet.

We make certain equity investments in various tax credit limited partnerships or limited liability companies (LLCs). The purpose of these investments is to achieve a satisfactory return on capital and to assist us in achieving goals associated with the Community Reinvestment Act. During the six months ended June 30, 2019, we recognized $100 million of amortization, $111 million of tax credits and $24 million of other tax benefits associated with qualified investments in low income housing tax credits within Income taxes. The amounts for the second quarter of 2019 were $45 million, $54 million and $11 million, respectively.

Note 3 Asset Quality

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency rates may be a key indicator, among other considerations, of credit risk within the loan portfolios. The measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent.

Nonperforming assets include nonperforming loans and leases, OREO and foreclosed assets. Nonperforming loans are those loans accounted for at amortized cost whose credit quality has deteriorated to the extent that full collection of contractual principal and interest is not probable. Interest income is not recognized on these loans. Loans accounted for under the fair value option are reported as performing loans as these loans are accounted for at fair value. However, when nonaccrual criteria is met, interest income is not recognized on these loans. Additionally, certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest. Purchased impaired loans are excluded from nonperforming loans as we are currently accreting interest income over the expected life of the loans.

See Note 1 Accounting Policies in our 2018 Form 10-K for additional information on our loan related policies.

The following tables present the delinquency status of our loans and our nonperforming assets atJune 30, 2019 and December 31, 2018, respectively.

Table 36: Analysis of Loan Portfolio (a)

Dollars in millions	Accruing: Current or Less Than 30 Days Past Due	Accruing: 30-59 Days Past Due	Accruing: 60-89 Days Past Due	Accruing: 90 Days Or More Past Due	Accruing: Total Past Due (b)	Nonperforming Loans	Fair Value Option Nonaccrual Loans (c)	Purchased Impaired Loans	Total Loans (d)
June 30, 2019									
Commercial Lending									
Commercial	$ 124,986	$ 105	$ 33	$ 59	$ 197	$ 441			$ 125,624
Commercial real estate	28,467	9	1		10	93			28,570
Equipment lease financing	7,393	7	3		10	6			7,409
Total commercial lending	160,846	121	37	59	217	540			161,603
Consumer Lending									
Home equity	23,730	56	20		76	712		$ 614	25,132
Residential real estate	17,808	134	75	306	515 (b)	339	$ 173	1,257	20,092
Automobile	15,338	119	29	8	156	118			15,612
Credit card	6,379	47	29	48	124	8			6,511
Education	3,364	60	36	95	191 (b)				3,555
Other consumer	4,673	13	9	8	30	7			4,710
Total consumer lending	71,292	429	198	465	1,092	1,184	173	1,871	75,612
Total	$ 232,138	$ 550	$ 235	$ 524	$ 1,309	$ 1,724	$ 173	$ 1,871	$ 237,215
Percentage of total loans	97.86%	.23%	.10%	.22%	.55%	.73%	.07%	.79%	100.00%
December 31, 2018									
Commercial Lending									
Commercial	$ 116,300	$ 82	$ 54	$ 52	$ 188	$ 346			$ 116,834
Commercial real estate	28,056	6	3		9	75			28,140
Equipment lease financing	7,229	56	12		68	11			7,308
Total commercial lending	151,585	144	69	52	265	432			152,282
Consumer Lending									
Home equity	24,556	66	25		91	797		$ 679	26,123
Residential real estate	16,216	135	73	363	571 (b)	350	$ 182	1,338	18,657
Automobile	14,165	113	29	12	154	100			14,419
Credit card	6,222	46	29	53	128	7			6,357
Education	3,571	69	41	141	251 (b)				3,822
Other consumer	4,552	12	5	8	25	8			4,585
Total consumer lending	69,282	441	202	577	1,220	1,262	182	2,017	73,963
Total	$ 220,867	$ 585	$ 271	$ 629	$ 1,485	$ 1,694	$ 182	$ 2,017	$ 226,245
Percentage of total loans	97.62%	.26%	.12%	.28%	.66%	.75%	.08%	.89%	100.00%

(a) Amounts in table represent recorded investment and exclude loans held for sale. Recorded investment does not include any associated valuation allowance.
(b) Past due loan amounts exclude purchased impaired loans, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we are currently accreting interest income over the expected life of the loans. Past due loan amounts include government insured or guaranteed Residential real estate mortgages totaling $.4 billion and $.5 billion at June 30, 2019 and December 31, 2018, respectively, and Education loans totaling $.2 billion at both June 30, 2019 and December 31, 2018.
(c) Consumer loans accounted for under the fair value option for which we do not expect to collect substantially all principal and interest are subject to nonaccrual accounting and classification upon meeting any of our nonaccrual policies. Given that these loans are not accounted for at amortized cost, these loans have been excluded from the nonperforming loan population.
(d) Net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $1.2 billion at both June 30, 2019 December 31, 2018.

At June 30, 2019, we pledged $15.6 billion of commercial loans to the Federal Reserve Bank and $65.0 billion of residential real estate and other loans to the Federal Home Loan Bank as collateral for the ability to borrow, if necessary. The comparable amounts at December 31, 2018 were $17.3 billion and $63.2 billion, respectively. Amounts pledged reflect the unpaid principal balances.

Table 37: Nonperforming Assets

Dollars in millions	June 30 2019	December 31 2018
Nonperforming loans		
Total commercial lending	$ 540	$ 432
Total consumer lending (a)	1,184	1,262
Total nonperforming loans	1,724	1,694
OREO and foreclosed assets	126	114
Total nonperforming assets	$ 1,850	$ 1,808
Nonperforming loans to total loans	.73%	.75%
Nonperforming assets to total loans, OREO and foreclosed assets	.78%	.80%
Nonperforming assets to total assets	.46%	.47%

(a) Excludes most consumer loans and lines of credit not secured by residential real estate, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.

Nonperforming loans also include certain loans whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. In accordance with applicable accounting guidance, these loans are considered troubled debt restructurings (TDRs). See Note 1 Accounting Policies in our 2018 Form 10-K and the TDR section of this Note 3 for additional information on TDRs.

Total nonperforming loans in Table 37 include TDRs of $.9 billion at both June 30, 2019 and December 31, 2018. TDRs that are performing, including consumer credit card TDR loans, totaled $.9 billion and $1.0 billion at June 30, 2019 and December 31, 2018, respectively, and are excluded from nonperforming loans.

Additional Asset Quality Indicators

We have two portfolio segments – Commercial Lending and Consumer Lending. Each of these segments comprises multiple loan classes. Classes are characterized by similarities in initial measurement, risk attributes and the manner in which we monitor and assess credit risk. The Commercial Lending segment is composed of the commercial, commercial real estate and equipment lease financing loan classes. The Consumer Lending segment is composed of the home equity, residential real estate, automobile, credit card, education and other consumer loan classes.

Commercial Lending Loan Classes

The following table presents asset quality indicators for the Commercial Lending loan classes. See Note 3 Asset Quality in our 2018 Form 10-K for additional information related to our Commercial Lending loan classes, including discussion around the asset quality indicators that we use to monitor and manage the credit risk associated with each loan class.

Table 38: Commercial Lending Asset Quality Indicators (a)

In millions	Pass Rated	Criticized	Total Loans
June 30, 2019			
Commercial	$ 120,157	$ 5,467	$ 125,624
Commercial real estate	27,699	871	28,570
Equipment lease financing	7,251	158	7,409
Total commercial lending	$ 155,107	$ 6,496	$ 161,603
December 31, 2018			
Commercial	$ 111,276	$ 5,558	$ 116,834
Commercial real estate	27,682	458	28,140
Equipment lease financing	7,180	128	7,308
Total commercial lending	$ 146,138	$ 6,144	$ 152,282

(a) Loans are classified as Pass and Criticized based on the Regulatory Classification definitions. The Criticized classification includes loans that were rated Special Mention, Substandard or Doubtful as of June 30, 2019 and December 31, 2018. We use probability of default and loss given default to rate loans in the commercial lending portfolio.

Consumer Lending Loan Classes

See Note 3 Asset Quality in our 2018 Form 10-K for additional information related to our Consumer Lending loan classes, including discussion around the asset quality indicators that we use to monitor and manage the credit risk associated with each loan class.

Home Equity and Residential Real Estate Loan Classes

The following table presents asset quality indicators for the home equity and residential real estate loan classes.

Table 39: Asset Quality Indicators for Home Equity and Residential Real Estate Loans

	June 30, 2019		December 31, 2018	
In millions	Home equity	Residential real estate	Home equity	Residential real estate
Current estimated LTV ratios				
Greater than or equal to 125%	$ 432	$ 129	$ 461	$ 116
Greater than or equal to 100% to less than 125%	991	248	1,020	255
Greater than or equal to 90% to less than 100%	1,200	358	1,174	335
Less than 90%	21,732	17,359	22,644	15,922
No LTV ratio available	163	148	145	6
Government insured or guaranteed loans		593		685
Purchased impaired loans	614	1,257	679	1,338
Total loans	$ 25,132	$ 20,092	$ 26,123	$ 18,657
Updated FICO Scores				
Greater than 660	$ 22,186	$ 17,450	$ 22,996	$ 15,956
Less than or equal to 660	2,067	568	2,210	585
No FICO score available	265	224	238	93
Government insured or guaranteed loans		593		685
Purchased impaired loans	614	1,257	679	1,338
Total loans	$ 25,132	$ 20,092	$ 26,123	$ 18,657

Automobile, Credit Card, Education and Other Consumer Loan Classes

The following table presents asset quality indicators for the automobile, credit card, education and other consumer loan classes.

Table 40: Asset Quality Indicators for Automobile, Credit Card, Education and Other Consumer Loans

Dollars in millions	Automobile	Credit Card	Education	Other Consumer
June 30, 2019				
FICO score greater than 719	$ 8,358	$ 3,918	$ 1,223	$ 1,393
650 to 719	4,679	1,846	176	705
620 to 649	1,076	297	23	111
Less than 620	1,163	332	23	102
No FICO score available or required (a)	336	118	40	27
Total loans using FICO credit metric	15,612	6,511	1,485	2,338
Consumer loans using other internal credit metrics			2,070	2,372
Total loans	$ 15,612	$ 6,511	$ 3,555	$ 4,710
Weighted-average updated FICO score (b)	726	733	777	732
December 31, 2018				
FICO score greater than 719	$ 7,740	$ 3,809	$ 1,240	$ 1,280
650 to 719	4,365	1,759	194	641
620 to 649	1,007	280	26	106
Less than 620	1,027	332	24	105
No FICO score available or required (a)	280	177	57	25
Total loans using FICO credit metric	14,419	6,357	1,541	2,157
Consumer loans using other internal credit metrics			2,281	2,428
Total loans	$ 14,419	$ 6,357	$ 3,822	$ 4,585
Weighted-average updated FICO score (b)	726	733	774	732

(a) Loans with no FICO score available or required generally refers to new accounts issued to borrowers with limited credit history, accounts for which we cannot obtain an updated FICO score (e.g., recent profile changes), cards issued with a business name and/or cards secured by collateral. Management proactively assesses the risk and size of this loan category and, when necessary, takes actions to mitigate the credit risk.
(b) Weighted-average updated FICO score excludes accounts with no FICO score available or required.

Troubled Debt Restructurings (TDRs)

Table 41 quantifies the number of loans that were classified as TDRs, as well as the change in the loans' recorded investment as a result of becoming a TDR during the three and six months ended June 30, 2019 and June 30, 2018. Additionally, the table provides information about the types of TDR concessions. See Note3 Asset Quality in our 2018 Form 10-K for additional discussion of TDRs.

Table 41: Financial Impact and TDRs by Concession Type (a)

During the three months ended June 30, 2019 Dollars in millions	Number of Loans	Pre-TDR Recorded Investment (b)	Post-TDR Recorded Investment (c) Principal Forgiveness	Rate Reduction	Other	Total
Total commercial lending	15	$ 31		$ 1	$ 27	$ 28
Total consumer lending	3,539	44		24	16	40
Total TDRs	3,554	$ 75		$ 25	$ 43	$ 68
During the three months ended June 30, 2018 Dollars in millions						
Total commercial lending	15	$ 20		$ 1	$ 17	$ 18
Total consumer lending	2,889	35	$ 1	17	13	31
Total TDRs	2,904	$ 55	$ 1	$ 18	$ 30	$ 49

During the six months ended June 30, 2019 Dollars in millions	Number of Loans	Pre-TDR Recorded Investment (b)	Post-TDR Recorded Investment (c) Principal Forgiveness	Rate Reduction	Other	Total
Total commercial lending	37	$ 136		$ 1	$ 136	$ 137
Total consumer lending	7,353	86		48	32	80
Total TDRs	7,390	$ 222		$ 49	$ 168	$ 217
During the six months ended June 30, 2018 Dollars in millions						
Total commercial lending	47	$ 30		$ 2	$ 24	$ 26
Total consumer lending	5,868	84	$ 1	47	29	77
Total TDRs	5,915	$ 114	$ 1	$ 49	$ 53	$ 103

(a) Impact of partial charge-offs at TDR date are included in this table.
(b) Represents the recorded investment of the loans as of the quarter end prior to TDR designation, and excludes immaterial amounts of accrued interest receivable.
(c) Represents the recorded investment of the TDRs as of the end of the quarter in which the TDR occurs, and excludes immaterial amounts of accrued interest receivable.

After a loan is determined to be a TDR, we continue to track its performance under its most recent restructured terms. We consider a TDR to have subsequently defaulted when it becomes 60 days past due after the most recent date the loan was restructured. The recorded investment of loans that were both (i) classified as TDRs or were subsequently modified during each 12-month period preceding January 1, 2019 and January 1, 2018, respectively, and (ii) subsequently defaulted during three and six months ended June 30, 2019 totaled $28 million and $39 million, respectively. The comparable amounts for the three and six months ended June 30, 2018 totaled $24 million and $38 million, respectively.

Impaired Loans

Impaired loans include commercial and consumer nonperforming loans and TDRs, regardless of nonperforming status. TDRs that were previously recorded at amortized cost and are now classified and accounted for as held for sale are also included. Excluded from impaired loans are nonperforming leases, loans accounted for as held for sale other than the TDRs described in the preceding sentence, loans accounted for under the fair value option, smaller balance homogeneous type loans and purchased impaired loans. We did not recognize any interest income on impaired loans that have not returned to performing status, while they were impaired during the six months ended June 30, 2019 and June 30, 2018. Table 42 provides further detail on impaired loans individually evaluated for impairment and the associated ALLL. Certain commercial and consumer impaired loans do not have a related ALLL as the valuation of these impaired loans exceeded the recorded investment.

Table 42: Impaired Loans

In millions	Unpaid Principal Balance	Recorded Investment	Associated Allowance	Average Recorded Investment (a)
June 30, 2019				
Impaired loans with an associated allowance				
Total commercial lending	$ 530	$ 396	$ 86	$ 365
Total consumer lending	824	777	123	800
Total impaired loans with an associated allowance	1,354	1,173	209	1,165
Impaired loans without an associated allowance				
Total commercial lending	358	287		292
Total consumer lending	1,007	604		611
Total impaired loans without an associated allowance	1,365	891		903
Total impaired loans	$ 2,719	$ 2,064	$ 209	$ 2,068
December 31, 2018				
Impaired loans with an associated allowance				
Total commercial lending	$ 440	$ 315	$ 73	$ 349
Total consumer lending	863	817	136	904
Total impaired loans with an associated allowance	1,303	1,132	209	1,253
Impaired loans without an associated allowance				
Total commercial lending	413	326		294
Total consumer lending	1,042	625		645
Total impaired loans without an associated allowance	1,455	951		939
Total impaired loans	$ 2,758	$ 2,083	$ 209	$ 2,192

(a) Average recorded investment is for the six months ended June 30, 2019 and the year ended December 31, 2018, respectively.

Note 4 Allowance for Loan and Lease Losses

We maintain the ALLL at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the portfolios as of the balance sheet date. We have two portfolio segments – Commercial Lending and Consumer Lending, and develop and document the ALLL under separate methodologies for each of these portfolio segments. See Note 1 Accounting Policies in our 2018 Form 10-K for a description of the accounting policies for the ALLL. A rollforward of the ALLL and associated loan data follows:

Table 43: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data

At or for the six months ended June 30 Dollars in millions	2019 Commercial Lending	2019 Consumer Lending	2019 Total	2018 Commercial Lending	2018 Consumer Lending	2018 Total
Allowance for Loan and Lease Losses						
January 1	$ 1,663	$ 966	$ 2,629	$ 1,582	$ 1,029	$ 2,611
Charge-offs	(84)	(358)	(442)	(64)	(322)	(386)
Recoveries	40	124	164	51	113	164
Net (charge-offs)	(44)	(234)	(278)	(13)	(209)	(222)
Provision for credit losses	187	182	369	56	116	172
Net (increase) / decrease in allowance for unfunded loan commitments and letters of credit	(7)	1	(6)	6	2	8
Other		7	7	(1)	13	12
June 30	$ 1,799	$ 922	$ 2,721	$ 1,630	$ 951	$ 2,581
TDRs individually evaluated for impairment	$ 33	$ 123	$ 156	$ 29	$ 147	$ 176
Other loans individually evaluated for impairment	53		53	60		60
Loans collectively evaluated for impairment	1,713	517	2,230	1,541	523	2,064
Purchased impaired loans		282	282		281	281
June 30	$ 1,799	$ 922	$ 2,721	$ 1,630	$ 951	$ 2,581
Loan Portfolio						
TDRs individually evaluated for impairment	$ 396	$ 1,381	$ 1,777	$ 324	$ 1,544	$ 1,868
Other loans individually evaluated for impairment	287		287	240		240
Loans collectively evaluated for impairment	160,920	71,605	232,525	149,072	68,711	217,783
Fair value option loans (a)		755	755		753	753
Purchased impaired loans		1,871	1,871		2,211	2,211
June 30	$ 161,603	$ 75,612	$ 237,215	$ 149,636	$ 73,219	$ 222,855
Portfolio segment ALLL as a percentage of total ALLL	66%	34%	100%	63%	37%	100%
Ratio of ALLL to total loans	1.11%	1.22%	1.15%	1.09%	1.30%	1.16%

(a) Loans accounted for under the fair value option are not evaluated for impairment as these loans are accounted for at fair value. Accordingly, there is no allowance recorded on these loans.

NOTE 5 INVESTMENT SECURITIES

Table 44: Investment Securities Summary

	June 30, 2019				December 31, 2018			
		Unrealized				Unrealized		
In millions	Amortized Cost	Gains	Losses	Fair Value	Amortized Cost	Gains	Losses	Fair Value
Securities Available for Sale								
U.S. Treasury and government agencies	$ 18,828	$ 371	$ (17)	$ 19,182	$ 18,104	$ 133	$ (137)	$ 18,100
Residential mortgage-backed								
Agency	33,508	402	(90)	33,820	29,413	104	(524)	28,993
Non-agency	1,745	316	(4)	2,057	1,924	300	(13)	2,211
Commercial mortgage-backed								
Agency	2,568	47	(30)	2,585	2,630	13	(66)	2,577
Non-agency	2,977	34	(7)	3,004	2,689	5	(37)	2,657
Asset-backed	5,337	89	(7)	5,419	4,933	59	(20)	4,972
Other	3,169	122	(3)	3,288	3,821	96	(38)	3,879
Total securities available for sale	$ 68,132	$ 1,381	$ (158)	$ 69,355	$ 63,514	$ 710	$ (835)	$ 63,389
Securities Held to Maturity								
U.S. Treasury and government agencies	$ 767	$ 53		$ 820	$ 758	$ 28	$ (23)	$ 763
Residential mortgage-backed								
Agency	15,503	181	$ (68)	15,616	15,740	32	(358)	15,414
Non-agency	146	6		152	152	2		154
Commercial mortgage-backed								
Agency	95	3		98	143	1	(1)	143
Non-agency	464	6		470	488	1	(1)	488
Asset-backed	170			170	182	1		183
Other	1,803	88	(18)	1,873	1,849	53	(28)	1,874
Total securities held to maturity	$ 18,948	$ 337	$ (86)	$ 19,199	$ 19,312	$ 118	$ (411)	$ 19,019

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the securities available for sale portfolio are included in Shareholders' equity as AOCI, unless credit-related. Securities held to maturity are carried at amortized cost. Investment securities at June 30, 2019 included $2.0 billion of net unsettled purchases which represent non-cash investing activity, and accordingly, are not reflected on the Consolidated Statement of Cash Flows.

At June 30, 2019, AOCI included pretax gains of$23 million from derivatives that hedged the purchase of investment securities classified as held to maturity. The gains will be accreted into interest income as an adjustment of yield on the securities.

Table 45 presents gross unrealized losses and fair value of debt securities atJune 30, 2019 and December 31, 2018. The securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more based on the point in time that the fair value declined below the amortized cost basis. The table includes debt securities where a portion of other than temporary impairment (OTTI) has been recognized in AOCI.

Table 45: Gross Unrealized Loss and Fair Value of Securities

In millions	Unrealized loss position less than 12 months Unrealized Loss	Unrealized loss position less than 12 months Fair Value	Unrealized loss position 12 months or more Unrealized Loss	Unrealized loss position 12 months or more Fair Value	Total Unrealized Loss	Total Fair Value
June 30, 2019						
Securities Available for Sale						
U.S. Treasury and government agencies	$ (6)	$ 2,151	$ (11)	$ 2,260	$ (17)	$ 4,411
Residential mortgage-backed						
Agency	(1)	1,173	(89)	7,578	(90)	8,751
Non-agency			(4)	253	(4)	253
Commercial mortgage-backed						
Agency			(30)	1,192	(30)	1,192
Non-agency	(1)	313	(6)	224	(7)	537
Asset-backed	(4)	668	(3)	942	(7)	1,610
Other			(3)	768	(3)	768
Total securities available for sale	$ (12)	$ 4,305	$ (146)	$ 13,217	$ (158)	$ 17,522
Securities Held to Maturity						
Residential mortgage-backed - Agency			$ (68)	$ 5,619	$ (68)	$ 5,619
Other	$ (1)	$ 31	(17)	130	(18)	161
Total securities held to maturity	$ (1)	$ 31	$ (85)	$ 5,749	$ (86)	$ 5,780
December 31, 2018						
Securities Available for Sale						
U.S. Treasury and government agencies	$ (21)	$ 4,125	$ (116)	$ 5,423	$ (137)	$ 9,548
Residential mortgage-backed						
Agency	(57)	4,823	(467)	13,830	(524)	18,653
Non-agency	(1)	74	(12)	310	(13)	384
Commercial mortgage-backed						
Agency	(1)	65	(65)	1,516	(66)	1,581
Non-agency	(23)	1,809	(14)	498	(37)	2,307
Asset-backed	(11)	2,149	(9)	1,032	(20)	3,181
Other	(12)	868	(26)	1,293	(38)	2,161
Total securities available for sale	$ (126)	$ 13,913	$ (709)	$ 23,902	$ (835)	$ 37,815
Securities Held to Maturity						
U.S. Treasury and government agencies			$ (23)	$ 446	$ (23)	$ 446
Residential mortgage-backed - Agency	$ (58)	$ 4,191	(300)	7,921	(358)	12,112
Commercial mortgage-backed						
Agency	(1)	88			(1)	88
Non-agency	(1)	152			(1)	152
Other	(2)	75	(26)	123	(28)	198
Total securities held to maturity	$ (62)	$ 4,506	$ (349)	$ 8,490	$ (411)	$ 12,996

Evaluating Investment Securities for OTTI

For the securities in Table 45, as of June 30, 2019 we do not intend to sell and believe we will not be required to sell the securities prior to recovery of the amortized cost basis.

On at least a quarterly basis, we review all debt securities that are in an unrealized loss position for OTTI, as discussed in Note 1 Accounting Policies of our 2018 Form 10-K. For those securities on our Consolidated Balance Sheet at June 30, 2019, where during our quarterly security-level impairment assessments we determined losses represented OTTI, we have recorded cumulative credit losses of $1.1 billion in earnings and accordingly have reduced the amortized cost of our securities.

The majority of these cumulative impairment charges related to non-agency residential mortgage-backed and asset-backed securities rated BB or lower. During the first six months of 2019 and 2018, the OTTI credit losses recognized in noninterest income and the OTTI noncredit losses recognized in AOCI on securities were not significant.

Information relating to gross realized securities gains and losses from the sales of securities is set forth in the following table.

Table 46: Gains (Losses) on Sales of Securities Available for Sale

Six months ended June 30 In millions	Gross Gains	Gross Losses	Net Gains (Losses)	Tax Expense (Benefit)
2019	$ 47	$ (15)	$ 32	$ 7
2018	$ 42	$ (46)	$ (4)	$ (1)

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at June 30, 2019.

Table 47: Contractual Maturity of Securities

June 30, 2019 Dollars in millions	1 Year or Less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
Securities Available for Sale					
U.S. Treasury and government agencies	$ 1,273	$ 13,501	$ 3,232	$ 822	$ 18,828
Residential mortgage-backed					
Agency	1	67	853	32,587	33,508
Non-agency				1,745	1,745
Commercial mortgage-backed					
Agency		626	268	1,674	2,568
Non-agency			337	2,640	2,977
Asset-backed	50	2,317	1,645	1,325	5,337
Other	436	1,461	422	850	3,169
Total securities available for sale	$ 1,760	$ 17,972	$ 6,757	$ 41,643	$ 68,132
Fair value	$ 1,764	$ 18,145	$ 6,925	$ 42,521	$ 69,355
Weighted-average yield, GAAP basis	2.38%	2.30%	2.95%	3.32%	2.99%
Securities Held to Maturity					
U.S. Treasury and government agencies			$ 493	$ 274	$ 767
Residential mortgage-backed					
Agency		$ 68	507	14,928	15,503
Non-agency				146	146
Commercial mortgage-backed					
Agency		46		49	95
Non-agency				464	464
Asset-backed		6	100	64	170
Other	$ 31	649	710	413	1,803
Total securities held to maturity	$ 31	$ 769	$ 1,810	$ 16,338	$ 18,948
Fair value	$ 31	$ 795	$ 1,900	$ 16,473	$ 19,199
Weighted-average yield, GAAP basis	3.92%	3.89%	3.43%	3.30%	3.34%

Weighted-average yields are based on amortized cost with effective yields weighted for the contractual maturity of each security. At June 30, 2019, there were no securities of a single issuer, other than the Federal National Mortgage Association (FNMA), that exceeded 10% of Total shareholders' equity. The FNMA investments had a total amortized cost of $40.7 billion and fair value of $41.1 billion.

The following table presents the fair value of securities that have been either pledged to or accepted from others to collateralize outstanding borrowings.

Table 48: Fair Value of Securities Pledged and Accepted as Collateral

In millions	June 30 2019	December 31 2018
Pledged to others	$ 9,450	$ 7,597
Accepted from others:		
Permitted by contract or custom to sell or repledge (a)	$ 2,677	$ 6,905
Permitted amount repledged to others	$ 686	$ 923

(a) Includes $2.0 billion and $6.0 billion in fair value of securities accepted from others to collateralize short-term investments in resale agreements that were not repledged at June 30, 2019 and December 31, 2018, respectively.

The securities pledged to others include positions held in our portfolio of investment securities, trading securities and securities accepted as collateral from others that we are permitted by contract or custom to sell or repledge, and were used to secure public and trust deposits, repurchase agreements and for other purposes.

NOTE 6 FAIR VALUE

Fair Value Measurement

We measure certain financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability on the measurement date, determined using an exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair value hierarchy established by GAAP requires us to maximize the use of observable inputs when measuring fair value. For more information regarding the fair value hierarchy, see Note 6 Fair Value in our 2018 Form 10-K.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

For more information on the valuation methodologies used to measure assets and liabilities at fair value on a recurring basis, see Note 6 Fair Value in our 2018 Form 10-K. The following table summarizes our assets and liabilities measured at fair value on a recurring basis, including instruments for which we have elected the fair value option.

Table 49: Fair Value Measurements – Recurring Basis Summary

	June 30, 2019				December 31, 2018			
In millions	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets								
Residential mortgage loans held for sale		$ 695	$ 2	$ 697		$ 493	$ 2	$ 495
Commercial mortgage loans held for sale		325	73	398		309	87	396
Securities available for sale								
U.S. Treasury and government agencies	$ 18,902	280		19,182	$ 17,753	347		18,100
Residential mortgage-backed								
Agency		33,820		33,820		28,993		28,993
Non-agency		81	1,976	2,057		83	2,128	2,211
Commercial mortgage-backed								
Agency		2,585		2,585		2,577		2,577
Non-agency		3,004		3,004		2,657		2,657
Asset-backed		5,158	261	5,419		4,698	274	4,972
Other		3,208	80	3,288		3,795	84	3,879
Total securities available for sale	18,902	48,136	2,317	69,355	17,753	43,150	2,486	63,389
Loans		496	259	755		510	272	782
Equity investments (a)	675		1,323	2,193	751		1,255	2,209
Residential mortgage servicing rights			997	997			1,257	1,257
Commercial mortgage servicing rights			630	630			726	726
Trading securities (b)	853	1,705		2,558	2,137	1,777	2	3,916
Financial derivatives (b) (c)	2	3,458	86	3,546	3	2,053	25	2,081
Other assets	322	135		457	291	157	45	493
Total assets	$ 20,754	$ 54,950	$ 5,687	$ 81,586	$ 20,935	$ 48,449	$ 6,157	$ 75,744
Liabilities								
Other borrowed funds	$ 709	$ 199	$ 5	$ 913	$ 868	$ 132	$ 7	$ 1,007
Financial derivatives (c) (d)	5	1,776	221	2,002	1	2,021	268	2,290
Other liabilities			78	78			58	58
Total liabilities	$ 714	$ 1,975	$ 304	$ 2,993	$ 869	$ 2,153	$ 333	$ 3,355

(a) Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(b) Included in Other assets on the Consolidated Balance Sheet.
(c) Amounts at June 30, 2019 and December 31, 2018 are presented gross and are not reduced by the impact of legally enforceable master netting agreements that allow us to net positive and negative positions and cash collateral held or placed with the same counterparty. See Note 9 Financial Derivatives for additional information related to derivative offsetting.
(d) Included in Other liabilities on the Consolidated Balance Sheet.

Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the three and six months ended June 30, 2019 and 2018 follow:

Table 50: Reconciliation of Level 3 Assets and Liabilities

Three Months Ended June 30, 2019

		Total realized / unrealized gains or losses for the period (a)									
Level 3 Instruments Only In millions	Fair Value Mar. 31, 2019	Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value June 30, 2019	Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2019 (a) (b)
Assets											
Residential mortgage loans held for sale	$ 2			$ 1				$ 1	$ (2)	$ 2	
Commercial mortgage loans held for sale	73	$ 1					$ (1)			73	$ 1
Securities available for sale											
Residential mortgage-backed non-agency	2,042	18	$ 19				(103)			1,976	
Asset-backed	266	2	4				(11)			261	
Other	85		(1)	2	$ (3)		(3)			80	
Total securities available for sale	2,393	20	22	2	(3)		(117)			2,317	
Loans	272	2		13	(8)	(1)	(11)	1	(9)	259	1
Equity investments	1,217	4		150	(48)					1,323	3
Residential mortgage servicing rights	1,131	(156)		59		$ 7	(44)			997	(156)
Commercial mortgage servicing rights	681	(55)		32		9	(37)			630	(55)
Trading securities	2						(2)				
Financial derivatives	56	48		(2)			(16)			86	45
Other assets											
Total assets	$ 5,827	$ (136)	$ 22	$ 255	$ (59)	$ 15	$ (228)	$ 2	$ (11)	$ 5,687	$ (161)
Liabilities											
Other borrowed funds	$ 6					$ 12	$ (13)			$ 5	
Financial derivatives	230	$ 20			$ (1)		(28)			221	$ 19
Other liabilities	62	11			2	51	(48)			78	3
Total liabilities	$ 298	$ 31			$ 1	$ 63	$ (89)			$ 304	$ 22
Net gains (losses)		$ (167) (c)									$ (183) (d)

Three Months Ended June 30, 2018

Level 3 Instruments Only In millions	Fair Value Mar. 31, 2018	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value June 30, 2018	Unrealized gains/losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2018 (a) (b)
Assets											
Residential mortgage loans held for sale	$ 2			$ 1				$ 3	$ (2)	$ 4	
Commercial mortgage loans held for sale	92	$ (1)								91	$ (1)
Securities available for sale											
Residential mortgage-backed non-agency	2,545	1	$ 5				$ (146)			2,405	
Asset-backed	321	1	(1)				(13)			308	
Other	94		6	2			(11)			91	
Total securities available for sale	2,960	2	10	2			(170)			2,804	
Loans	302	3		18	$ (2)		(25)	(2)	(12)	282	(1)
Equity investments	1,129	62		79	(103)					1,167	35
Residential mortgage servicing rights	1,256	40		38		$ 10	(47)			1,297	35
Commercial mortgage servicing rights	723	33		21		6	(35)			748	33
Trading securities	2									2	
Financial derivatives	12	17		1			(14)			16	18
Other assets	68	(5)								63	(5)
Total assets	$ 6,546	$ 151	$ 10	$ 160	$ (105)	$ 16	$ (291)	$ 1	$ (14)	$ 6,474	$ 114
Liabilities											
Other borrowed funds	$ 9					$ 13	$ (15)			$ 7	
Financial derivatives	437	$ (33)			$ 2		(22)			384	$ (31)
Other liabilities	42	3				29	(27)			47	3
Total liabilities	$ 488	$ (30)			$ 2	$ 42	$ (64)			$ 438	$ (28)
Net gains (losses)		$ 181	(c)								$ 142 (d)

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Six Months Ended June 30, 2019

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2018	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value June 30, 2019	Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2019 (a) (b)
Assets											
Residential mortgage loans held for sale	$ 2			$ 2	$ (1)			$ 4	$ (5)	$ 2	
Commercial mortgage loans held for sale	87	$ 2					$ (16)			73	$ 2
Securities available for sale											
Residential mortgage-backed non-agency	2,128	36	$ 21				(209)			1,976	
Asset-backed	274	2	6				(21)			261	
Other	84		(1)	3	(3)		(3)			80	
Total securities available for sale	2,486	38	26	3	(3)		(233)			2,317	
Loans	272	5		33	(11)	(1)	(25)	3	(17)	259	2
Equity investments	1,255	56		195	(183)					1,323	3
Residential mortgage servicing rights	1,257	(262)		65		$ 14	(77)			997	(261)
Commercial mortgage servicing rights	726	(88)		51		16	(75)			630	(88)
Trading securities	2						(2)				
Financial derivatives	25	87					(26)			86	(13)
Other assets	45						(45)				
Total assets	$ 6,157	$ (162)	$ 26	$ 349	$ (198)	$ 29	$ (499)	$ 7	$ (22)	$ 5,687	$ (355)
Liabilities											
Other borrowed funds	$ 7					$ 26	$ (28)			$ 5	
Financial derivatives	268	$ 50			1		(98)			221	$ 53
Other liabilities	58	20			2	53	(55)			78	11
Total liabilities	$ 333	$ 70			$ 3	$ 79	$ (181)			$ 304	$ 64
Net gains (losses)		$ (232) (c)									$ (419) (d)

Six Months Ended June 30, 2018

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2017	Total realized / unrealized gains or losses for the period (a): Included in Earnings	Included in Other comprehensive income	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value June 30, 2018	Unrealized gains/losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2018 (a) (b)
Assets											
Residential mortgage loans held for sale	$ 3			$ 2	$ (1)			$ 5	$ (5)	$ 4	
Commercial mortgage loans held for sale	107	$ (1)					$ (15)			91	$ (1)
Securities available for sale											
Residential mortgage-backed non-agency	2,661	20	$ 8				(284)			2,405	
Asset-backed	332		4				(28)			308	
Other	87	5	7	4			(12)			91	
Total securities available for sale	3,080	25	19	4			(324)			2,804	
Loans	298	5		55	(9)		(43)		(24)	282	1
Equity investments	1,036	88		161	(118)					1,167	60
Residential mortgage servicing rights	1,164	147		47		$ 23	(84)			1,297	140
Commercial mortgage servicing rights	668	81		44		23	(68)			748	81
Trading securities	2									2	
Financial derivatives	10	24		2			(20)			16	27
Other assets	107	(2)					(42)			63	(2)
Total assets	$ 6,475	$ 367	$ 19	$ 315	$ (128)	$ 46	$ (596)	$ 5	$ (29)	$ 6,474	$ 306
Liabilities											
Other borrowed funds	$ 11					$ 32	$ (36)			$ 7	
Financial derivatives	487	$ (23)			$ 5		(85)			384	$ (26)
Other liabilities	33	5		$ 12		34	(37)			47	5
Total liabilities	$ 531	$ (18)		$ 12	$ 5	$ 66	$ (158)			$ 438	$ (21)
Net gains (losses)		$ 385 (c)									$ 327 (d)

(a) Losses for assets are bracketed while losses for liabilities are not.
(b) The amount of the total gains or losses for the period included in earnings that is attributable to the change in unrealized gains or losses related to those assets and liabilities held at the end of the reporting period.
(c) Net gains (losses) realized and unrealized included in earnings related to Level 3 assets and liabilities included amortization and accretion. The amortization and accretion amounts were included in Interest income on the Consolidated Income Statement and the remaining net gains (losses) realized and unrealized were included in Noninterest income on the Consolidated Income Statement.
(d) Net unrealized gains (losses) related to assets and liabilities held at the end of the reporting period were included in Noninterest income on the Consolidated Income Statement.

An instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. Our policy is to recognize transfers in and transfers out as of the end of the reporting period.

Quantitative information about the significant unobservable inputs within Level 3 recurring assets and liabilities follows:

Table 51: Fair Value Measurements – Recurring Quantitative Information

June 30, 2019

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average)
Commercial mortgage loans held for sale	$ 73	Discounted cash flow	Spread over the benchmark curve (a)	530bps - 2,270bps (1,477bps)
Residential mortgage-backed non-agency securities	1,976	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 36.2% (10.1%)
			Constant default rate	0.0% - 15.9% (4.7%)
			Loss severity	15.0% - 95.7% (50.0%)
			Spread over the benchmark curve (a)	190bps weighted-average
Asset-backed securities	261	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 22.0% (8.1%)
			Constant default rate	1.0% - 7.2% (3.5%)
			Loss severity	15.0% - 100.0% (60.6%)
			Spread over the benchmark curve (a)	190bps weighted-average
Loans	129	Consensus pricing (b)	Cumulative default rate	11.0% - 100.0% (81.2%)
			Loss severity	0.0% - 100.0% (16.4%)
			Discount rate	5.5% - 8.3% (5.8%)
	81	Discounted cash flow	Loss severity	8.0% weighted-average
			Discount rate	5.0% weighted-average
	49	Consensus pricing (b)	Credit and Liquidity discount	0.0% - 99.0% (61.9%)
Equity investments	1,323	Multiple of adjusted earnings	Multiple of earnings	5.0x - 19.7x (8.6x)
Residential mortgage servicing rights	997	Discounted cash flow	Constant prepayment rate	0.0% - 65.0% (13.6%)
			Spread over the benchmark curve (a)	296bps - 1,428bps (786bps)
Commercial mortgage servicing rights	630	Discounted cash flow	Constant prepayment rate	3.8% - 18.3% (4.9%)
			Discount rate	5.6% - 7.9% (7.9%)
Financial derivatives - Swaps related to sales of certain Visa Class B common shares	(206)	Discounted cash flow	Estimated conversion factor of Visa Class B shares into Class A shares	163.0% weighted-average
			Estimated annual growth rate of Visa Class A share price	16.0%
			Estimated length of litigation resolution date	Q4 2020
Insignificant Level 3 assets, net of liabilities (c)	70			
Total Level 3 assets, net of liabilities (d)	$ 5,383			

December 31, 2018

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average)
Commercial mortgage loans held for sale	$ 87	Discounted cash flow	Spread over the benchmark curve (a)	535bps - 1,900bps (1,217bps)
Residential mortgage-backed non-agency securities	2,128	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 33.0% (11.8%)
			Constant default rate	0.0% - 18.8% (5.1%)
			Loss severity	10.0% - 100.0% (50.8%)
			Spread over the benchmark curve (a)	216bps weighted-average
Asset-backed securities	274	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 19.0% (8.5%)
			Constant default rate	1.0% - 18.5% (4.0%)
			Loss severity	15.0% - 100.0% (63.8%)
			Spread over the benchmark curve (a)	198bps weighted-average
Loans	129	Consensus pricing (b)	Cumulative default rate	11.0% - 100.0% (81.8%)
			Loss severity	0.0% - 100.0% (17.2%)
			Discount rate	5.5% - 8.3% (5.8%)
	90	Discounted cash flow	Loss severity	8.0% weighted-average
			Discount rate	5.8% weighted-average
	53	Consensus pricing (b)	Credit and Liquidity discount	0.0% - 99.0% (61.3%)
Equity investments	1,255	Multiple of adjusted earnings	Multiple of earnings	4.5x - 16.0x (8.4x)
Residential mortgage servicing rights	1,257	Discounted cash flow	Constant prepayment rate	0.0% - 54.5% (8.7%)
			Spread over the benchmark curve (a)	492bps - 1,455bps (806bps)
Commercial mortgage servicing rights	726	Discounted cash flow	Constant prepayment rate	4.6% - 14.7% (5.7%)
			Discount rate	6.9% - 8.5% (8.4%)
Financial derivatives - Swaps related to sales of certain Visa Class B common shares	(210)	Discounted cash flow	Estimated conversion factor of Visa Class B shares into Class A shares	163.0% weighted-average
			Estimated annual growth rate of Visa Class A share price	16.0%
			Estimated length of litigation resolution date	Q4 2020
Insignificant Level 3 assets, net of liabilities (c)	35			
Total Level 3 assets, net of liabilities (d)	$ 5,824			

(a) The assumed yield spread over the benchmark curve for each instrument is generally intended to incorporate non-interest rate risks, such as credit and liquidity risks.
(b) Consensus pricing refers to fair value estimates that are generally internally developed using information such as dealer quotes or other third-party provided valuations or comparable asset prices.
(c) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes certain financial derivative assets and liabilities, trading securities, other securities, residential mortgage loans held for sale, other assets, other borrowed funds and other liabilities.
(d) Consisted of total Level 3 assets of $5.7 billion and total Level 3 liabilities of$.3 billion as ofJune 30, 2019 and $6.1 billion and $.3 billion as ofDecember 31, 2018, respectively.

Financial Assets Accounted for at Fair Value on a Nonrecurring Basis

We may be required to measure certain financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower of amortized cost or fair value accounting or write-downs of individual assets due to impairment and are included in Table 52. For more information regarding the valuation methodologies of our financial assets measured at fair value on a nonrecurring basis, see Note 6 Fair Value in our 2018 Form 10-K.

Table 52: Fair Value Measurements – Nonrecurring (a) (b) (c)

	Fair Value		Gains (Losses) Three months ended		Gains (Losses) Six months ended	
In millions	June 30 2019	December 31 2018	June 30 2019	June 30 2018	June 30 2019	June 30 2018
Assets						
Nonaccrual loans	$ 160	$ 128	$ (34)	$ (15)	$ (44)	$ (33)
OREO and foreclosed assets	36	59	(2)	(3)	(4)	(2)
Long-lived assets	6	11	(4)	(6)	(4)	(6)
Total assets	$ 202	$ 198	$ (40)	$ (24)	$ (52)	$ (41)

(a) All Level 3 for the periods presented.
(b) Valuation techniques applied were fair value of property or collateral.
(c) Unobservable inputs used were appraised value/sales price, broker opinions or projected income/required improvement costs. Additional quantitative information was not meaningful for the periods presented.

Financial Instruments Accounted for under Fair Value Option

We elect the fair value option to account for certain financial instruments. For more information on these financial instruments for which the fair value option election has been made, see Note 6 Fair Value in our 2018 Form 10-K.

Fair values and aggregate unpaid principal balances of certain items for which we elected the fair value option follow:

Table 53: Fair Value Option – Fair Value and Principal Balances

	June 30, 2019			December 31, 2018		
In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference	Fair Value	Aggregate Unpaid Principal Balance	Difference
Assets						
Residential mortgage loans held for sale						
Performing loans	$ 690	$ 666	$ 24	$ 489	$ 472	$ 17
Accruing loans 90 days or more past due	2	2		2	2	
Nonaccrual loans	5	6	(1)	4	4	
Total	$ 697	$ 674	$ 23	$ 495	$ 478	$ 17
Commercial mortgage loans held for sale (a)						
Performing loans	$ 397	$ 409	$ (12)	$ 396	$ 411	$ (15)
Nonaccrual loans	1	2	(1)			
Total	$ 398	$ 411	$ (13)	$ 396	$ 411	$ (15)
Residential mortgage loans						
Performing loans	$ 307	$ 324	$ (17)	$ 279	$ 298	$ (19)
Accruing loans 90 days or more past due	275	284	(9)	321	329	(8)
Nonaccrual loans	173	277	(104)	182	292	(110)
Total	$ 755	$ 885	$ (130)	$ 782	$ 919	$ (137)
Other assets	$ 135	$ 129	$ 6	$ 156	$ 176	$ (20)
Liabilities						
Other borrowed funds	$ 54	$ 55	$ (1)	$ 64	$ 65	$ (1)

(a) There were no accruing loans 90 days or more past due within this category at June 30, 2019 or December 31, 2018.

The changes in fair value for items for which we elected the fair value option are as follows:

Table 54: Fair Value Option – Changes in Fair Value (a)

	Gains (Losses) Three months ended		Gains (Losses) Six months ended	
In millions	June 30 2019	June 30 2018	June 30 2019	June 30 2018
Assets				
Residential mortgage loans held for sale	$ 20	$ 8	$ 34	$ 12
Commercial mortgage loans held for sale	$ 18	$ 11	$ 23	$ 25
Residential mortgage loans	$ 5	$ 7	$ 9	$ 10
Other assets	$ 12	$ (21)	$ 21	$ (10)

(a) The impact on earnings of offsetting hedged items or hedging instruments is not reflected in these amounts.

Additional Fair Value Information Related to Financial Instruments Not Recorded at Fair Value

The following table presents the carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of all other financial instruments that are not recorded on our Consolidated Balance Sheet at fair value as of June 30, 2019 and December 31, 2018. For more information regarding the methods and assumptions used to estimate the fair values of financial instruments included in Table 55, see Note 6 Fair Value in our 2018 Form 10-K.

Table 55: Additional Fair Value Information Related to Other Financial Instruments

	Carrying	Fair Value			
In millions	Amount	Total	Level 1	Level 2	Level 3
June 30, 2019					
Assets					
Cash and due from banks	$ 5,416	$ 5,416	$ 5,416		
Interest-earning deposits with banks	18,362	18,362		$ 18,362	
Securities held to maturity	18,948	19,199	820	18,217	$ 162
Net loans (excludes leases)	226,330	229,686			229,686
Other assets	6,720	6,720		6,719	1
Total assets	$ 275,776	$ 279,383	$ 6,236	$ 43,298	$ 229,849
Liabilities					
Time deposits	$ 19,718	$ 19,497		$ 19,497	
Borrowed funds	68,112	68,612		66,730	$ 1,882
Unfunded loan commitments and letters of credit	291	291			291
Other liabilities	432	432		432	
Total liabilities	$ 88,553	$ 88,832		$ 86,659	$ 2,173
December 31, 2018					
Assets					
Cash and due from banks	$ 5,608	$ 5,608	$ 5,608		
Interest-earning deposits with banks	10,893	10,893		$ 10,893	
Securities held to maturity	19,312	19,019	763	18,112	$ 144
Net loans (excludes leases)	215,525	216,492			216,492
Other assets	11,065	11,065		11,060	5
Total assets	$ 262,403	$ 263,077	$ 6,371	$ 40,065	$ 216,641
Liabilities					
Time deposits	$ 18,507	$ 18,246		$ 18,246	
Borrowed funds	56,412	56,657		54,872	$ 1,785
Unfunded loan commitments and letters of credit	285	285			285
Other liabilities	393	393		393	
Total liabilities	$ 75,597	$ 75,581		$ 73,511	$ 2,070

The aggregate fair values in Table 55 represent only a portion of the total market value of our assets and liabilities as, in accordance with the guidance related to fair values about financial instruments, we exclude the following:

- financial instruments recorded at fair value on a recurring basis (as they are disclosed in Table 49);
- investments accounted for under the equity method;
- equity securities without a readily determinable fair value that apply for the alternative measurement approach to fair value under ASU 2016-01;
- real and personal property;
- lease financing;
- loan customer relationships;
- deposit customer intangibles;
- mortgage servicing rights (MSRs);
- retail branch networks;
- fee-based businesses, such as asset management and brokerage;
- trademarks and brand names;
- trade receivables and payables due in one year or less; and
- deposit liabilities with no defined or contractual maturities under ASU 2016-01.

NOTE 7 GOODWILL AND MORTGAGE SERVICING RIGHTS

Goodwill

See Note 7 Goodwill and Mortgage Servicing Rights in our 2018 Form 10-K for more information regarding our goodwill.

Mortgage Servicing Rights

We recognize the right to service mortgage loans for others when we recognize it as an intangible asset and the servicing income we receive is more than adequate compensation. MSRs totaled $1.6 billion and $2.0 billion at June 30, 2019 and December 31, 2018, respectively, and consisted of loan servicing contracts for commercial and residential mortgages measured at fair value.

MSRs are subject to declines in value from actual or expected prepayment of the underlying loans and defaults as well as market driven changes in interest rates. We manage this risk by economically hedging the fair value of MSRs with securities and derivative instruments which are expected to increase (or decrease) in value when the value of MSRs decreases (or increases).

See the Sensitivity Analysis section of this Note 7, as well as Note 6 Fair Value in our 2018 Form 10-K for more detail on our fair value measurement of MSRs. Refer to Note 7 Goodwill and Mortgage Servicing Rights in our 2018 Form 10-K for more information on our accounting and measurement of MSRs.

Changes in the commercial and residential MSRs follow:

Table 56: Mortgage Servicing Rights

	Commercial MSRs		Residential MSRs	
In millions	2019	2018	2019	2018
January 1	$ 726	$ 668	$ 1,257	$ 1,164
Additions:				
From loans sold with servicing retained	16	23	14	23
Purchases	51	44	65	47
Changes in fair value due to:				
Time and payoffs (a)	(75)	(68)	(77)	(84)
Other (b)	(88)	81	(262)	147
June 30	$ 630	$ 748	$ 997	$ 1,297
Related unpaid principal balance at June 30	$ 193,510	$ 174,589	$ 124,461	$ 124,325
Servicing advances at June 30	$ 204	$ 212	$ 128	$ 158

(a) Represents decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that were paid down or paid off during the period.
(b) Represents MSR value changes resulting primarily from market-driven changes in interest rates.

Sensitivity Analysis

The fair value of commercial and residential MSRs and significant inputs to the valuation models as of June 30, 2019 are shown in Tables 57 and 58. The expected and actual rates of mortgage loan prepayments are significant factors driving the fair value. Management uses both internal proprietary models and a third-party model to estimate future commercial mortgage loan prepayments and a third-party model to estimate future residential mortgage loan prepayments. These models have been refined based on current market conditions and management judgment. Future interest rates are another important factor in the valuation of MSRs. Management utilizes market implied forward interest rates to estimate the future direction of mortgage and discount rates. The forward rates utilized are derived from the current yield curve for U.S. dollar interest rate swaps and are consistent with pricing of capital markets instruments. Changes in the shape and slope of the forward curve in future periods may result in volatility in the fair value estimate.

A sensitivity analysis of the hypothetical effect on the fair value of MSRs to adverse changes in key assumptions is presented in Tables 57 and 58. These sensitivities do not include the impact of the related hedging activities. Changes in fair value generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the MSRs is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (*e.g.*, changes in mortgage interest rates, which drive changes in prepayment rate estimates, could result in changes in the interest rate spread), which could either magnify or counteract the sensitivities.

The following tables set forth the fair value of commercial and residential MSRs and the sensitivity analysis of the hypothetical effect on the fair value of MSRs to immediate adverse changes of 10% and 20% in those assumptions.

Table 57: Commercial Mortgage Servicing Rights – Key Valuation Assumptions

Dollars in millions	June 30 2019	December 31 2018
Fair value	$ 630	$ 726
Weighted-average life (years)	4.0	4.1
Weighted-average constant prepayment rate	4.91 %	5.65 %
Decline in fair value from 10% adverse change	$ 9	$ 10
Decline in fair value from 20% adverse change	$ 17	$ 19
Effective discount rate	7.88 %	8.39 %
Decline in fair value from 10% adverse change	$ 16	$ 19
Decline in fair value from 20% adverse change	$ 31	$ 39

Table 58: Residential Mortgage Servicing Rights – Key Valuation Assumptions

Dollars in millions	June 30 2019	December 31 2018
Fair value	$ 997	$ 1,257
Weighted-average life (years)	5.2	6.9
Weighted-average constant prepayment rate	13.56 %	8.69 %
Decline in fair value from 10% adverse change	$ 47	$ 41
Decline in fair value from 20% adverse change	$ 89	$ 79
Weighted-average option adjusted spread	786 bps	806 bps
Decline in fair value from 10% adverse change	$ 27	$ 37
Decline in fair value from 20% adverse change	$ 52	$ 73

Fees from mortgage loan servicing, which includes contractually specified servicing fees, late fees and ancillary fees were $1 billion for both the three months ended June 30, 2019 and 2018 and $.2 billion for both the six months ended June 30, 2019 and 2018. We also generate servicing fees from fee-based activities provided to others for which we do not have an associated servicing asset. Fees from commercial and residential MSRs are reported within Noninterest income on our Consolidated Income Statement in Corporate services and Residential mortgage, respectively.

Note 8 Employee Benefit Plans

Pension and Postretirement Plans

As described in Note 11 Employee Benefit Plans in our 2018 Form 10-K, we have a noncontributory, qualified defined benefit pension plan covering eligible employees. Benefits are determined using a cash balance formula where earnings credits are a percentage of eligible compensation and are subject to a minimum annual amount. Any pension contributions to the plan are based on an actuarially determined amount necessary to fund total benefits payable to plan participants.

We also maintain nonqualified supplemental retirement plans for certain employees and provide certain health care and life insurance benefits for qualifying retired employees (postretirement benefits) through various plans. We reserve the right to terminate or make changes to these plans at any time.

The components of our net periodic benefit cost for the three and six months ended June 30, 2019 and 2018, respectively, were as follows:

Table 59: Components of Net Periodic Benefit Cost (a)

Three months ended June 30 In millions	Qualified Pension Plan 2019	Qualified Pension Plan 2018	Nonqualified Pension Plan 2019	Nonqualified Pension Plan 2018	Postretirement Benefits 2019	Postretirement Benefits 2018
Net periodic cost consists of:						
Service cost	$ 29	$ 30			$ 1	$ 1
Interest cost	47	42	$ 3	$ 3	4	3
Expected return on plan assets	(71)	(77)			(2)	(2)
Amortization of prior service credit	1	1				
Amortization of actuarial losses	3		1	1		
Net periodic cost/(benefit)	$ 9	$ (4)	$ 4	$ 4	$ 3	$ 2

Six months ended June 30 In millions	Qualified Pension Plan 2019	Qualified Pension Plan 2018	Nonqualified Pension Plan 2019	Nonqualified Pension Plan 2018	Postretirement Benefits 2019	Postretirement Benefits 2018
Net periodic cost consists of:						
Service cost	$ 57	$ 58	$ 1	$ 1	$ 2	$ 2
Interest cost	93	85	5	5	7	6
Expected return on plan assets	(143)	(153)			(3)	(3)
Amortization of prior service credit	2	1				
Amortization of actuarial losses	3		2	2		
Net periodic cost/(benefit)	$ 12	$ (9)	$ 8	$ 8	$ 6	$ 5

(a) The service cost component is included in Personnel expense on the Consolidated Income Statement. All other components are included in Other noninterest expense on the Consolidated Income Statement.

Note 9 Financial Derivatives

We use a variety of financial derivatives as part of our overall asset and liability risk management process to help manage exposure to market (primarily interest rate) and credit risk inherent in our business activities. We also enter into derivatives with customers to facilitate their risk management activities. Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional amount and an underlying as specified in the contract.

For more information regarding derivatives see Note 1 Accounting Policies and Note 13 Financial Derivatives in our 2018 Form 10-K.

The following table presents the notional amounts and gross fair values of all derivative assets and liabilities held by us.

Table 60: Total Gross Derivatives

	June 30, 2019			December 31, 2018		
In millions	Notional / Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)	Notional / Contract Amount	Asset Fair Value (a)	Liability Fair Value (b)
Derivatives used for hedging under GAAP						
Interest rate contracts (c):						
Fair value hedges	$ 31,914			$ 30,919	$ 7	
Cash flow hedges	24,859	$ 6	$ 1	17,337	1	
Foreign exchange contracts:						
Net investment hedges	1,052	3		1,012		$ 10
Total derivatives designated for hedging under GAAP	$ 57,825	$ 9	$ 1	$ 49,268	$ 8	$ 10
Derivatives not used for hedging under GAAP						
Derivatives used for mortgage banking activities (d):						
Interest rate contracts:						
Swaps	$ 48,118	$ 12	$ 3	$ 43,084		$ 3
Futures (e)	3,763			10,658		
Mortgage-backed commitments	8,478	92	88	5,771	$ 47	39
Other	8,449	45	25	6,509	10	3
Subtotal	68,808	149	116	66,022	57	45
Derivatives used for customer-related activities:						
Interest rate contracts:						
Swaps	233,046	2,812	1,216	218,496	1,352	1,432
Futures (e)	587			914		
Mortgage-backed commitments	3,345	7	9	2,246	7	10
Other	22,208	138	41	20,109	77	33
Subtotal	259,186	2,957	1,266	241,765	1,436	1,475
Commodity contracts:						
Swaps	4,323	204	200	4,813	244	238
Other	1,547	17	17	1,418	67	67
Subtotal	5,870	221	217	6,231	311	305
Foreign exchange contracts and other	25,494	179	169	23,253	194	192
Subtotal	290,550	3,357	1,652	271,249	1,941	1,972
Derivatives used for other risk management activities:						
Foreign exchange contracts and other	9,749	31	233	7,908	75	263
Total derivatives not designated for hedging under GAAP	$ 369,107	$ 3,537	$ 2,001	$ 345,179	$ 2,073	$ 2,280
Total gross derivatives	$ 426,932	$ 3,546	$ 2,002	$ 394,447	$ 2,081	$ 2,290
Less: Impact of legally enforceable master netting agreements		642	642		688	688
Less: Cash collateral received/paid		673	756		341	539
Total derivatives		$ 2,231	$ 604		$ 1,052	$ 1,063

(a) Included in Other assets on our Consolidated Balance Sheet.
(b) Included in Other liabilities on our Consolidated Balance Sheet.
(c) Represents primarily swaps.
(d) Includes both residential and commercial mortgage banking activities.
(e) Futures contracts settle in cash daily and, therefore, no derivative asset or derivative liability is recognized on our Consolidated Balance Sheet.

All derivatives are carried on our Consolidated Balance Sheet at fair value. Derivative balances are presented on the Consolidated Balance Sheet on a net basis taking into consideration the effects of legally enforceable master netting agreements and, when appropriate, any related cash collateral exchanged with counterparties. Further discussion regarding the offsetting rights associated with these legally enforceable master netting agreements is included in the Offsetting, Counterparty Credit Risk and Contingent Features section of this Note 9. Any nonperformance risk, including credit risk, is included in the determination of the estimated net fair value of the derivatives.

Derivatives Designated As Hedging Instruments under GAAP

Certain derivatives used to manage interest rate and foreign exchange risk as part of our asset and liability risk management activities are designated as accounting hedges under GAAP. Derivatives hedging the risks associated with changes in the fair value of assets or liabilities are considered fair value hedges, derivatives hedging the variability of expected future cash flows are considered cash flow hedges, and derivatives hedging a net investment in a foreign subsidiary are considered net investment hedges. Designating derivatives as accounting hedges allows for gains and losses on those derivatives to be recognized in the same period and in the same income statement line item as the earnings impact of the hedged items.

Fair Value Hedges

We enter into receive-fixed, pay-variable interest rate swaps to hedge changes in the fair value of outstanding fixed-rate debt caused by fluctuations in market interest rates. We also enter into pay-fixed, receive-variable interest rate swaps and zero-coupon swaps to hedge changes in the fair value of fixed rate and zero-coupon investment securities caused by fluctuations in market interest rates. Gains and losses on the interest rate swaps designated in these hedge relationships, along with the offsetting gains and losses on the hedged items attributable to the hedged risk, are recognized in current earnings within the same income statement line item.

Cash Flow Hedges

We enter into receive-fixed, pay-variable interest rate swaps to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of changes in future cash flows due to market interest rate changes. We also periodically enter into forward purchase and sale contracts to hedge the variability of the consideration that will be paid or received related to the purchase or sale of investment securities. The forecasted purchase or sale is consummated upon gross settlement of the forward contract itself. For these cash flow hedges, gains and losses on the interest rate swaps and forward contracts are recorded in AOCI and are then reclassified into earnings in the same period the hedged cash flows affect earnings and within the same income statement line as the hedged cash flows.

In the 12 months that follow June 30, 2019, we expect to reclassify net derivative gains of $115 million pretax, or $91 million after-tax, from AOCI to interest income for both cash flow hedge strategies. This reclassified amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations and the addition of other hedges subsequent to June 30, 2019. As of June 30, 2019, the maximum length of time over which forecasted transactions are hedged is ten years.

Further detail regarding gains (losses) related to our fair value and cash flow hedge derivatives is presented in the following table.

Table 61: Gains (Losses) Recognized on Fair Value and Cash Flow Hedges in the Consolidated Income Statement (a) (b)

	Location and Amount of Gains (Losses) Recognized in Income			
	Interest Income		Interest Expense	Noninterest Income
In millions	Loans	Investment Securities	Borrowed Funds	Other
For the three months ended June 30, 2019				
Total amounts on the Consolidated Income Statement	$ 2,672	$ 629	$ 484	$ 367
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ 116	$ (523)	
Derivatives		$ (113)	$ 485	
Amounts related to interest settlements on derivatives		$ 5	$ 9	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from AOCI	$ (12)	$ 1		$ 3
For the three months ended June 30, 2018				
Total amounts on the Consolidated Income Statement	$ 2,345	$ 557	$ 408	$ 334
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ (24)	$ 100	
Derivatives		$ 27	$ (125)	
Amounts related to interest settlements on derivatives		$ 1	$ 7	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from AOCI	$ 11	$ 3		$ 5
For the six months ended June 30, 2019				
Total amounts on the Consolidated Income Statement	$ 5,274	$ 1,249	$ 965	$ 675
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ 174	$ (797)	
Derivatives		$ (168)	$ 713	
Amounts related to interest settlements on derivatives		$ 10	$ 20	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from AOCI	$ (20)	$ 2		$ 18
For the six months ended June 30, 2018				
Total amounts on the Consolidated Income Statement	$ 4,573	$ 1,069	$ 752	$ 579
Gains (losses) on fair value hedges recognized on:				
Hedged items		$ (114)	$ 470	
Derivatives		$ 119	$ (495)	
Amounts related to interest settlements on derivatives		$ (2)	$ 33	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from AOCI	$ 37	$ 7		$ 7

(a) For all periods presented, there were no components of derivative gains or losses excluded from the assessment of hedge effectiveness for any of the fair value or cash flow hedge strategies.
(b) All cash flow and fair value hedge derivatives were interest rate contracts for the periods presented.
(c) Includes an insignificant amount of fair value hedge adjustments primarily related to discontinued borrowed funds hedge relationships.
(d) For all periods presented, there were no gains or losses from cash flow hedge derivatives reclassified to income because it became probable that the original forecasted transaction would not occur.

Detail regarding the impact of fair value hedge accounting on the carrying value of the hedged items is presented in the following table.

Table 62: Hedged Items - Fair Value Hedges

	June 30, 2019		December 31, 2018	
In millions	Carrying Value of the Hedged Items	Cumulative Fair Value Hedge Adjustment included in the Carrying Value of Hedged Items (a)	Carrying Value of the Hedged Items	Cumulative Fair Value Hedge Adjustment included in the Carrying Value of Hedged Items (a)
Investment securities - available for sale (b)	$ 6,836	$ 63	$ 6,216	$ (103)
Borrowed funds	$ 27,960	$ 537	$ 27,121	$ (260)

(a) Includes $(.4) billion and $(.5) billion of fair value hedge adjustments primarily related to discontinued borrowed funds hedge relationships for June 30, 2019 and December 31, 2018, respectively.
(b) Carrying value shown represents amortized cost.

Net Investment Hedges
We enter into foreign currency forward contracts to hedge non-U.S. dollar net investments in foreign subsidiaries against adverse changes in foreign exchange rates. We assess whether the hedging relationship is highly effective in achieving offsetting changes in the value of the hedge and hedged item by qualitatively verifying that the critical terms of the hedge and hedged item match at the inception of the hedging relationship and on an ongoing basis. Net investment hedge derivatives are classified as foreign exchange contracts. There were no components of derivative gains or losses excluded from the assessment of the hedge effectiveness for all periods presented. Gains on net investment hedge derivatives recognized in OCI were $32 million and $14 million for the three and six months ended June 30, 2019, respectively, compared with $69 million and $30 million for the three and six months ended June 30, 2018, respectively.

Derivatives Not Designated As Hedging Instruments under GAAP

We also enter into derivatives that are not designated as accounting hedges under GAAP. For additional information on derivatives not designated as hedging instruments under GAAP, see Note 13 Financial Derivatives in our 2018 Form 10-K.

Further detail regarding the gains (losses) on derivatives not designated in hedging relationships is presented in the following table.

Table 63: Gains (Losses) on Derivatives Not Designated for Hedging under GAAP

	Three months ended June 30		Six months ended June 30	
In millions	2019	2018	2019	2018
Derivatives used for mortgage banking activities:				
Interest rate contracts (a)	$ 218	$ (18)	$ 346	$ (132)
Derivatives used for customer-related activities:				
Interest rate contracts	41	25	39	81
Foreign exchange contracts and other (b)	30	13	53	57
Gains (losses) from customer-related activities (c)	71	38	92	138
Derivatives used for other risk management activities:				
Foreign exchange contracts and other (c)	(10)	147	(64)	130
Total gains (losses) from derivatives not designated as hedging instruments	$ 279	$ 167	$ 374	$ 136

(a) Included in Residential mortgage, Corporate services and Other noninterest income on our Consolidated Income Statement.
(b) Includes an insignificant amount of gains (losses) on commodity contracts for all periods presented.
(c) Included in Other noninterest income on our Consolidated Income Statement.

Offsetting, Counterparty Credit Risk and Contingent Features

We generally utilize a net presentation on the Consolidated Balance Sheet for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. The master netting agreements reduce credit risk by permitting the closeout netting of all outstanding derivative instruments under the master netting agreement with the same counterparty upon the occurrence of an event of default. The master netting agreement also may require the exchange of cash or marketable securities to collateralize either party's net position. For additional information on derivative offsetting, counterparty credit risk and contingent features, see Note 13 Financial Derivatives in our 2018 Form 10-K.

Table 64 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of June 30, 2019 and December 31, 2018. The table includes cash collateral held or pledged under legally enforceable master netting agreements. The table also includes the fair value of any securities collateral held or pledged under legally enforceable master netting agreements. Cash and securities collateral amounts are included in the table only to the extent of the related net derivative fair values.

Table 64 includes over-the-counter (OTC) derivatives and OTC derivatives cleared through a central clearing house. OTC derivatives represent contracts executed bilaterally with counterparties that are not settled through an organized exchange or cleared through a central clearing house. The majority of OTC derivatives are governed by the International Swaps and Derivatives Association (ISDA) documentation or other legally enforceable master netting agreements. OTC cleared derivatives represent contracts executed bilaterally with counterparties in the OTC market that are novated to a central clearing house who then becomes our counterparty. OTC cleared derivative instruments are typically settled in cash each day based on the prior day value.

Table 64: Derivative Assets and Liabilities Offsetting

In millions	Gross Fair Value	Amounts Offset on the Consolidated Balance Sheet: Fair Value Offset Amount	Amounts Offset on the Consolidated Balance Sheet: Cash Collateral	Net Fair Value		Securities Collateral Held/Pledged Under Master Netting Agreements	Net Amounts
June 30, 2019							
Derivative assets							
Interest rate contracts:							
Over-the-counter cleared	$ 23			$ 23			$ 23
Over-the-counter	3,089	$ 383	$ 638	2,068		$ 176	1,892
Commodity contracts	221	134	32	55			55
Foreign exchange and other contracts	213	125	3	85			85
Total derivative assets	$ 3,546	$ 642	$ 673	$ 2,231	(a)	$ 176	$ 2,055
Derivative liabilities							
Interest rate contracts:							
Over-the-counter cleared	$ 28			$ 28			$ 28
Over-the-counter	1,355	$ 514	$ 695	146			146
Commodity contracts	217	73	1	143			143
Foreign exchange and other contracts	402	55	60	287			287
Total derivative liabilities	$ 2,002	$ 642	$ 756	$ 604	(b)		$ 604
December 31, 2018							
Derivative assets							
Interest rate contracts:							
Over-the-counter cleared	$ 29			$ 29			$ 29
Over-the-counter	1,472	$ 450	$ 117	905		$ 25	880
Commodity contracts	311	76	210	25			25
Foreign exchange and other contracts	269	162	14	93			93
Total derivative assets	$ 2,081	$ 688	$ 341	$ 1,052	(a)	$ 25	$ 1,027
Derivative liabilities							
Interest rate contracts:							
Over-the-counter cleared	$ 24			$ 24			$ 24
Over-the-counter	1,496	$ 557	$ 489	450		$ 11	439
Commodity contracts	305	56	17	232			232
Foreign exchange and other contracts	465	75	33	357			357
Total derivative liabilities	$ 2,290	$ 688	$ 539	$ 1,063	(b)	$ 11	$ 1,052

(a) Represents the net amount of derivative assets included in Other assets on our Consolidated Balance Sheet.
(b) Represents the net amount of derivative liabilities included in Other liabilities on our Consolidated Balance Sheet.

In addition to using master netting agreements and other collateral agreements to reduce credit risk associated with derivative instruments, we also seek to manage credit risk by evaluating credit ratings of counterparties and by using internal credit analysis, limits and monitoring procedures.

At June 30, 2019, we held cash, U.S. government securities and mortgage-backed securities totaling$1.0 billion under master netting agreements and other collateral agreements to collateralize net derivative assets due from counterparties, and we pledged cash totaling $1.4 billion under these agreements to collateralize net derivative liabilities owed to counterparties and to meet initial margin requirements. These totals may differ from the amounts presented in the preceding offsetting table because these totals may include collateral exchanged under an agreement that does not qualify as a master netting agreement or because the total amount of collateral held or pledged exceeds the net derivative fair values with the counterparty as of the balance sheet date due to timing or other factors, such as initial margin. To the extent not netted against the derivative fair values under a master netting agreement, the receivable for cash pledged is included in Other assets and the obligation for cash held is included in Other liabilities on our Consolidated Balance Sheet. Securities held from counterparties are not recognized on our balance sheet. Likewise securities we have pledged to counterparties remain on our balance sheet.

Certain derivative agreements contain various credit-risk related contingent provisions, such as those that require our debt to maintain a specified credit rating from one or more of the major credit rating agencies. If our debt ratings were to fall below such specified ratings, the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on June 30, 2019 was $1.5 billion for which we had posted collateral of $1.1 billion in the normal course of business. The maximum additional amount of collateral we would have been required to post if the credit-risk-related contingent features underlying these agreements had been triggered on June 30, 2019 would be $.4 billion.

NOTE 10 EARNINGS PER SHARE

Table 65: Basic and Diluted Earnings Per Common Share

	Three months ended June 30		Six months ended June 30	
In millions, except per share data	2019	2018	2019	2018
Basic				
Net income	$ 1,374	$ 1,356	$ 2,645	$ 2,595
Less:				
Net income attributable to noncontrolling interests	12	10	22	20
Preferred stock dividends	55	55	118	118
Preferred stock discount accretion and redemptions	1	1	2	2
Net income attributable to common shares	1,306	1,290	2,503	2,455
Less: Dividends and undistributed earnings allocated to participating securities	4	5	9	10
Net income attributable to basic common shares	$ 1,302	$ 1,285	$ 2,494	$ 2,445
Basic weighted-average common shares outstanding	451	469	453	471
Basic earnings per common share (a)	$ 2.89	$ 2.74	$ 5.51	$ 5.19
Diluted				
Net income attributable to basic common shares	$ 1,302	$ 1,285	$ 2,494	$ 2,445
Less: Impact of BlackRock earnings per share dilution	2	3	5	5
Net income attributable to diluted common shares	$ 1,300	$ 1,282	$ 2,489	$ 2,440
Basic weighted-average common shares outstanding	451	469	453	471
Dilutive potential common shares	1	3	1	3
Diluted weighted-average common shares outstanding	452	472	454	474
Diluted earnings per common share (a)	$ 2.88	$ 2.72	$ 5.49	$ 5.15

(a) Basic and diluted earnings per share under the two-class method are determined on net income reported on the income statement less earnings allocated to nonvested restricted shares and restricted share units with nonforfeitable dividends and dividend rights (participating securities).

NOTE 11 TOTAL EQUITY AND OTHER COMPREHENSIVE INCOME

Activity in total equity for the six months ended June 30, 2019 and 2018 follows.

Table 66: Rollforward of Total Equity

		Shareholders' Equity							
in millions	Shares Outstanding Common Stock	Common Stock	Capital Surplus - Preferred Stock	Capital Surplus - Common Stock and Other	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interests	Total Equity
Three months ended									
Balance March 31, 2018 (a)	470	$ 2,710	$ 3,986	$ 12,241	$ 36,266	$ (699)	$ (7,535)	$ 66	$ 47,035
Net income					1,346			10	1,356
Other comprehensive income (loss), net of tax						(241)			(241)
Cash dividends declared - Common					(355)				(355)
Cash dividends declared - Preferred					(55)				(55)
Preferred stock discount accretion			1		(1)				
Common stock activity				9					9
Treasury stock activity	(5)			(32)			(782)		(814)
Other				45				(5)	40
Balance at June 30, 2018 (a)	465	$ 2,710	$ 3,987	$ 12,263	$ 37,201	$ (940)	$ (8,317)	$ 71	$ 46,975
Balance at March 31, 2019 (a)	452	$ 2,711	$ 3,990	$ 12,183	$ 39,742	$ (5)	$ (10,085)	$ 39	$ 48,575
Net income					1,362			12	1,374
Other comprehensive income, net of tax						636			636
Cash dividends declared - Common					(432)				(432)
Cash dividends declared - Preferred					(55)				(55)
Preferred stock discount accretion			1		(1)				
Common stock activity				10					10
Treasury stock activity	(5)			(1)			(781)		(782)
Other				65				(10)	55
Balance at June 30, 2019 (a)	447	$ 2,711	$ 3,991	$ 12,257	$ 40,616	$ 631	$ (10,866)	$ 41	$ 49,381
Six months ended									
Balance at January 1, 2018 (a)	473	$ 2,710	$ 3,985	$ 12,389	$ 35,459	$ (142)	$ (6,904)	$ 72	$ 47,569
Net income					2,575			20	2,595
Other comprehensive income (loss), net of tax						(798)			(798)
Cash dividends declared - Common					(713)				(713)
Cash dividends declared - Preferred					(118)				(118)
Preferred stock discount accretion			2		(2)				
Common stock activity				9					9
Treasury stock activity	(8)			(26)			(1,413)		(1,439)
Other				(109)				(21)	(130)
Balance at June 30, 2018 (a)	465	$ 2,710	$ 3,987	$ 12,263	$ 37,201	$ (940)	$ (8,317)	$ 71	$ 46,975
Balance at December 31, 2018 (a)	457	$ 2,711	$ 3,986	$ 12,291	$ 38,919	$ (725)	$ (9,454)	$ 42	$ 47,770
Cumulative effect of ASU 2016-02 adoption (b)					62				62
Balance at January 1, 2019 (a)	457	$ 2,711	$ 3,986	$ 12,291	$ 38,981	$ (725)	$ (9,454)	$ 42	$ 47,832
Net income					2,623			22	2,645
Other comprehensive income, net of tax						1,356			1,356
Cash dividends declared - Common					(868)				(868)
Cash dividends declared - Preferred					(118)				(118)
Preferred stock discount accretion			2		(2)				
Common stock activity				10					10
Treasury stock activity	(10)			9			(1,412)		(1,403)
Other			3	(53)				(23)	(73)
Balance at June 30, 2019 (a)	447	$ 2,711	$ 3,991	$ 12,257	$ 40,616	$ 631	$ (10,866)	$ 41	$ 49,381

(a) The par value of our preferred stock outstanding was less than $.5 million at each date and, therefore, is excluded from this presentation.
(b) Represents the impact of the adoption of ASU 2016-02 related primarily to deferred gains on previous sale-leaseback transactions. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in this Report for additional detail.

Other Comprehensive Income

Details of other comprehensive income (loss) are as follows:

Table 67: Other Comprehensive Income (Loss)

In millions	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Net unrealized gains (losses) on non-OTTI securities				
Increase in net unrealized gains (losses) on non-OTTI securities	$ 713	$ (161)	$ 1,353	$ (806)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	3	2	6	6
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	16	(8)	14	(11)
Net increase (decrease), pre-tax	694	(155)	1,333	(801)
Effect of income taxes	(159)	36	(306)	186
Net increase (decrease), after-tax	535	(119)	1,027	(615)
Net unrealized gains (losses) on OTTI securities				
Increase in net unrealized gains (losses) on OTTI securities		3	9	17
Net increase (decrease), pre-tax		3	9	17
Effect of income taxes		(1)	(2)	(5)
Net increase (decrease), after-tax		2	7	12
Net unrealized gains (losses) on cash flow hedge derivatives				
Increase in net unrealized gains (losses) on cash flow hedge derivatives	246	(94)	354	(255)
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income	(12)	11	(20)	37
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	1	3	2	7
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	3	5	18	7
Net increase (decrease), pre-tax	254	(113)	354	(306)
Effect of income taxes	(58)	26	(81)	70
Net increase (decrease), after-tax	196	(87)	273	(236)
Pension and other postretirement benefit plan adjustments				
Net pension and other postretirement benefit activity	(89)	5	54	66
Amortization of actuarial loss (gain) reclassified to other noninterest expense	4	1	5	2
Amortization of prior service cost (credit) reclassified to other noninterest expense	1		2	1
Net increase (decrease), pre-tax	(84)	6	61	69
Effect of income taxes	19	(1)	(14)	(16)
Net increase (decrease), after-tax	(65)	5	47	53
Other				
PNC's portion of BlackRock's OCI	(35)	(37)	(6)	(15)
Net investment hedge derivatives	32	69	14	30
Foreign currency translation adjustments and other	(27)	(67)	(4)	(23)
Net increase (decrease), pre-tax	(30)	(35)	4	(8)
Effect of income taxes		(7)	(2)	(4)
Net increase (decrease), after-tax	(30)	(42)	2	(12)
Total other comprehensive income (loss), pre-tax	834	(294)	1,761	(1,029)
Total other comprehensive income (loss), tax effect	(198)	53	(405)	231
Total other comprehensive income (loss), after-tax	$ 636	$ (241)	$ 1,356	$ (798)

Table 68: Accumulated Other Comprehensive Income (Loss) Components

In millions, after-tax	Net unrealized gains (losses) on non-OTTI securities	Net unrealized gains (losses) on OTTI securities	Net unrealized gains (losses) on cash flow hedge derivatives	Pension and other postretirement benefit plan adjustments	Other	Total
Balance at March 31, 2018	$ (375)	$ 225	$ 35	$ (494)	$ (90)	$ (699)
Net activity	(119)	2	(87)	5	(42)	(241)
Balance at June 30, 2018	(494)	227	(52)	(489)	(132)	(940)
Balance at March 31, 2019	$ 208	$ 211	$ 124	$ (418)	$ (130)	$ (5)
Net activity	535		196	(65)	(30)	636
Balance at June 30, 2019	$ 743	$ 211	$ 320	$ (483)	$ (160)	$ 631
Balance at December 31, 2017	$ 62	$ 215	$ 151	$ (446)	$ (130)	$ (148)
Cumulative effect of adopting ASU 2018-02 (a)	59		33	(96)	10	6
Balance at January 1, 2018	121	215	184	(542)	(120)	(142)
Net activity	(615)	12	(236)	53	(12)	(798)
Balance at June 30, 2018	$ (494)	$ 227	$ (52)	$ (489)	$ (132)	$ (940)
Balance at December 31, 2018	$ (284)	$ 204	$ 47	$ (530)	$ (162)	$ (725)
Net activity	1,027	7	273	47	2	1,356
Balance at June 30, 2019	$ 743	$ 211	$ 320	$ (483)	$ (160)	$ 631

(a) Represents the cumulative impact of adopting ASU 2018-02 which permits the reclassification to retained earnings of the income tax effects stranded within AOCI. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in our 2018 Form 10-K for additional detail on this adoption.

The following table provides the dividends per share for PNC's common and preferred stock.

Table 69: Dividends Per Share (a)

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Common Stock	$ .95	$ .75	$ 1.90	$ 1.50
Preferred Stock				
Series B	$ .45	$ .45	$ .90	$ .90
Series O			$ 3,375	$ 3,375
Series P	$ 1,532	$ 1,532	$ 3,063	$ 3,063
Series Q	$ 1,344	$ 1,344	$ 2,688	$ 2,688
Series R	$ 2,425	$ 2,425	$ 2,425	$ 2,425
Series S	$ 2,500	$ 2,500	$ 2,500	$ 2,500

(a) Dividends are payable quarterly other than Series O, Series R, and Series S preferred stock, which are payable semiannually, with the Series O payable in different quarters than the Series R and Series S preferred stock

On July 9, 2019, we declared a quarterly common stock cash dividend of $1.15 per share payable on August 5, 2019.

NOTE 12 LEGAL PROCEEDINGS

We establish accruals for legal proceedings, including litigation and regulatory and governmental investigations and inquiries, 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. Any such accruals are adjusted thereafter as appropriate to reflect changed circumstances. When we are able to do so, we also determine estimates of possible losses or ranges of possible losses, whether in excess of any related accrued liability or where there is no accrued liability, for disclosed legal proceedings ("Disclosed Matters," which are those matters disclosed in this Note 12 as well as those matters disclosed in Note 19 Legal Proceedings in Part II, Item 8 of our 2018 Form 10-K and in Note 12 Legal Proceedings in Part I, Item 1 of our first quarter 2019 Form 10-Q (such prior disclosure referred to as "Prior Disclosure")). For Disclosed Matters where we are able to estimate such possible losses or ranges of possible losses, as of June 30, 2019, we estimate that it is reasonably possible that we could incur losses in an aggregate amount less than $100 million. The estimates included in this amount are based on our analysis of currently available information and are subject to significant judgment and a variety of assumptions and uncertainties. As new information is obtained we may change our estimates. Due to the inherent subjectivity of the assessments and unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to us from the legal proceedings in question. Thus, our exposure and ultimate losses may be higher, and possibly significantly so, than the amounts accrued or this aggregate amount.

As a result of the types of factors described in Note 19 in our 2018 Form 10-K, we are unable, at this time, to estimate the losses that are reasonably possible to be incurred or ranges of such losses with respect to some of the matters disclosed, and the aggregate estimated amount provided above does not include an estimate for every Disclosed Matter. Therefore, as the estimated aggregate amount disclosed above does not include all of the Disclosed Matters, the amount disclosed above does not represent our maximum reasonably possible loss exposure for all of the Disclosed Matters. The estimated aggregate amount also does not reflect any of our exposure to matters not so disclosed, as discussed below under “Other.”

We include in some of the descriptions of individual Disclosed Matters certain quantitative information related to the plaintiff’s claim against us as alleged in the plaintiff’s pleadings or other public filings or otherwise publicly available information. While information of this type may provide insight into the potential magnitude of a matter, it does not necessarily represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual.

Some of our exposure in Disclosed Matters may be offset by applicable insurance coverage. We do not consider the possible availability of insurance coverage in determining the amounts of any accruals (although we record the amount of related insurance recoveries that are deemed probable up to the amount of the accrual) or in determining any estimates of possible losses or ranges of possible losses.

Pre-need Funeral Arrangements

In July 2019, in the lawsuit pending in the U.S. District Court for the Eastern District of Missouri under the caption *Jo Ann Howard and Associates, P.C., et al. v. Cassity, et al.* (No. 4:09-CV-1252-ERW), the district court, following a new trial on remand from the United States Court of Appeals for the Eighth Circuit, awarded the plaintiffs $72 million in compensatory damages, $15 million in interest, and $15 million in punitive damages. National City Bank and PNC Bank have appealed this judgment to the court of appeals.

DD Growth Premium Master Fund

In June 2014, the liquidator of the DD Growth Premium Master Fund (DD Growth) issued a Plenary Summons in the High Court, Dublin, Ireland, in connection with the provision of administration services to DD Growth by a European subsidiary (GIS Europe) of PNC Global Investment Servicing (PNC GIS), a former subsidiary of PNC. The Plenary Summons was served on GIS Europe in June 2015.

In July 2010, we completed the sale of PNC GIS to The Bank of New York Mellon Corporation (BNY Mellon). Beginning in February 2014, BNY Mellon provided notice to us of three indemnification claims pursuant to the stock purchase agreement related to DD Growth. Our responsibility for this litigation was subject to the terms and limitations included in the indemnification provisions of the stock purchase agreement.

In its Statement of Claim, which the liquidator served in July 2015, the liquidator alleged, among other things, that GIS Europe breached its contractual duties to DD Growth as well as an alleged duty of care to DD Growth, and to investors in DD Growth, and made claims of breach of the administration and accounting services agreement, breach of the middle office agreement, negligence, gross negligence, and breach of duty. The statement of claim further alleged claims for loss in the net asset value of the fund and loss of certain subscriptions paid into the fund in the amounts of $283 million and $134 million respectively. The statement of claim sought, among other things, damages, costs, and interest.

In March 2019, the parties entered into a settlement agreement to resolve this lawsuit, subject to court approval in the Cayman Islands, where DD Growth was organized. In June 2019, that approval was granted, as a result of which the settlement is final. PNC and BNY Mellon agreed on the amount of PNC’s contribution to this settlement, which is not material.

Other Regulatory and Governmental Inquiries

We are the subject of investigations, audits and other forms of regulatory and governmental inquiry covering a broad range of issues in our consumer, mortgage, brokerage, securities and other financial services businesses, as well as other aspects of our operations. In some cases, these inquiries are part of reviews of specified activities at multiple industry participants; in others, they are directed at PNC individually. These inquiries, including those described in Prior Disclosure, may lead to administrative, civil or criminal proceedings, and possibly result in remedies including fines, penalties, restitution, or alterations in our business practices, and in additional expenses and collateral costs and other consequences. These inquiries may result in significant reputational harm or other adverse collateral consequences even if direct resulting remedies are not material to us.

Our practice is to cooperate fully with regulatory and governmental investigations, audits and other inquiries, including those described in Prior Disclosure.

Other

In addition to the proceedings or other matters described above and in Prior Disclosure, PNC and persons to whom we may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. We do not anticipate, at the present time, that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on our financial position. However, we cannot now determine whether or not any claims asserted against us or others to whom we may have indemnification obligations, whether in the proceedings or other matters described above or otherwise, will have a material adverse effect on our results of operations in any future reporting period, which will depend on, among other things, the amount of the loss resulting from the claim and the amount of income otherwise reported for the reporting period.

NOTE 13 COMMITMENTS

In the normal course of business, we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. The following table presents our outstanding commitments to extend credit along with significant other commitments as of June 30, 2019 and December 31, 2018, respectively.

Table 70: Commitments to Extend Credit and Other Commitments

In millions	June 30 2019	December 31 2018
Commitments to extend credit		
Total commercial lending	$ 126,742	$ 120,165
Home equity lines of credit	17,075	16,944
Credit card	28,964	27,100
Other	6,071	5,069
Total commitments to extend credit	178,852	169,278
Net outstanding standby letters of credit (a)	9,319	8,655
Reinsurance agreements (b)	1,464	1,549
Standby bond purchase agreements (c)	1,245	1,000
Other commitments (d)	1,019	1,130
Total commitments to extend credit and other commitments	$ 191,899	$ 181,612

(a) Net outstanding standby letters of credit include $3.8 billion and $3.7 billion at June 30, 2019 and December 31, 2018, respectively, which support remarketing programs.
(b) Represents aggregate maximum exposure up to the specified limits of the reinsurance contracts provided by our wholly-owned captive insurance subsidiary. These amounts reflect estimates based on availability of financial information from insurance carriers. As of both June 30, 2019 and December 31, 2018, the aggregate maximum exposure amount comprised $1.3 billion for accidental death & dismemberment contracts and $.2 billion for credit life, accident and health contracts.
(c) We enter into standby bond purchase agreements to support municipal bond obligations.
(d) Includes $.5 billion related to investments in qualified affordable housing projects at both June 30, 2019 and December 31, 2018.

Commitments to Extend Credit

Commitments to extend credit, or net unfunded loan commitments, represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. These commitments generally have fixed expiration dates, may require payment of a fee, and generally contain termination clauses in the event the customer's credit quality deteriorates.

Net Outstanding Standby Letters of Credit

We issue standby letters of credit and share in the risk of standby letters of credit issued by other financial institutions, in each case to support obligations of our customers to third parties, such as insurance requirements and the facilitation of transactions involving capital markets product execution. Approximately 98% of our net outstanding standby letters of credit were rated as Pass as of June 30, 2019, with the remainder rated as Criticized. An internal credit rating of Pass indicates the expected risk of loss is currently low, while a rating of Criticized indicates a higher degree of risk.

If the customer fails to meet its financial or performance obligation to the third party under the terms of the contract or there is a need to support a remarketing program, then upon a draw by a beneficiary, subject to the terms of the letter of credit, we would be obligated to make payment to them. The standby letters of credit outstanding on June 30, 2019 had terms ranging from less than one year to six years.

As of June 30, 2019, assets of $1.0 billion secured certain specifically identified standby letters of credit. In addition, a portion of the remaining standby letters of credit issued on behalf of specific customers is also secured by collateral or guarantees that secure the customers' other obligations to us. The carrying amount of the liability for our obligations related to standby letters of credit and participations in standby letters of credit was $.2 billion at June 30, 2019 and is included in Other liabilities on our Consolidated Balance Sheet.

Note 14 Segment Reporting

We have four reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- BlackRock

Results of individual businesses are presented based on our internal management reporting practices. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of our individual businesses are not necessarily comparable with similar information for any other company. We periodically refine our internal methodologies as management reporting practices are enhanced. To the extent significant and practicable, retrospective application of new methodologies is made to prior period reportable business segment results and disclosures to create comparability with the current period.

Total business segment financial results differ from total consolidated net income. These differences are reflected in the "Other" category in the business segment tables. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities including net securities gains or losses, other-than-temporary impairment of investment securities, certain trading activities, certain runoff consumer loan portfolios, private equity investments, intercompany eliminations, certain corporate overhead, tax adjustments that are not allocated to business segments, gains or losses related to BlackRock transactions, exited businesses and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments' results exclude their portion of net income attributable to noncontrolling interests.

Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Additionally, we have aggregated the results for corporate support functions within "Other" for financial reporting purposes.

Net interest income in business segment results reflects our internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors.

A portion of capital is intended to cover unexpected losses and is assigned to our business segments using our risk-based economic capital model, including consideration of the goodwill at those business segments, as well as the diversification of risk among the business segments, ultimately reflecting our portfolio risk adjusted capital allocation.

We have allocated the allowances for loan and lease losses and for unfunded loan commitments and letters of credit based on the loan exposures within each business segment's portfolio. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower and economic conditions. Key reserve assumptions are periodically updated.

Business Segment Results

Table 71: Results of Businesses

Three months ended June 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	BlackRock	Other	Consolidated (a)
2019						
Income Statement						
Net interest income	$ 1,376	$ 897	$ 68		$ 157	$ 2,498
Noninterest income	657	661	286	$ 224	113	1,941
Total revenue	2,033	1,558	354	224	270	4,439
Provision for credit losses (benefit)	81	100			(1)	180
Depreciation and amortization	59	50	28		120	257
Other noninterest expense	1,468	648	221		17	2,354
Income before income taxes and noncontrolling interests	425	760	105	224	134	1,648
Income taxes (benefit)	100	158	25	35	(44)	274
Net income	$ 325	$ 602	$ 80	$ 189	$ 178	$ 1,374
Average Assets (b)	$ 92,350	$ 163,897	$ 7,150	$ 8,184	$ 125,381	$ 396,962
2018						
Income Statement						
Net interest income	$ 1,277	$ 877	$ 72		$ 187	$ 2,413
Noninterest income	678	635	222	$ 232	144	1,911
Total revenue	1,955	1,512	294	232	331	4,324
Provision for credit losses (benefit)	72	15	7		(14)	80
Depreciation and amortization	47	45	13		132	237
Other noninterest expense	1,474	623	218		32	2,347
Income before income taxes and noncontrolling interests	362	829	56	232	181	1,660
Income taxes (benefit)	88	177	13	37	(11)	304
Net income	$ 274	$ 652	$ 43	$ 195	$ 192	$ 1,356
Average Assets (b)	$ 89,021	$ 153,619	$ 7,469	$ 7,811	$ 117,707	$ 375,627

Six months ended June 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	BlackRock	Other	Consolidated (a)
2019						
Income Statement						
Net interest income	$ 2,725	$ 1,774	$ 138		$ 336	$ 4,973
Noninterest income	1,252	1,237	503	$ 457	303	3,752
Total revenue	3,977	3,011	641	457	639	8,725
Provision for credit losses (benefit)	209	171	(1)		(10)	369
Depreciation and amortization	110	100	40		241	491
Other noninterest expense	2,885	1,284	439		90	4,698
Income before income taxes and noncontrolling interests	773	1,456	163	457	318	3,167
Income taxes (benefit)	184	302	38	71	(73)	522
Net income	$ 589	$ 1,154	$ 125	$ 386	$ 391	$ 2,645
Average Assets (b)	$ 91,805	$ 160,551	$ 7,204	$ 8,184	$ 123,717	$ 391,461
2018						
Income Statement						
Net interest income	$ 2,495	$ 1,738	$ 146		$ 395	$ 4,774
Noninterest income	1,313	1,182	448	$ 467	251	3,661
Total revenue	3,808	2,920	594	467	646	8,435
Provision for credit losses (benefit)	141	56			(25)	172
Depreciation and amortization	92	93	25		260	470
Other noninterest expense	2,885	1,228	431		97	4,641
Income before income taxes and noncontrolling interests	690	1,543	138	467	314	3,152
Income taxes (benefit)	167	328	33	75	(46)	557
Net income	$ 523	$ 1,215	$ 105	$ 392	$ 360	$ 2,595
Average Assets (b)	$ 88,879	$ 152,769	$ 7,484	$ 7,811	$ 119,006	$ 375,949

(a) There were no material intersegment revenues for the three and six months ended June 30, 2019 and 2018.
(b) Period-end balances for BlackRock.

Business Segment Products and Services

Retail Banking provides deposit, lending, brokerage, insurance services, investment management and cash management products and services to consumer and small business customers. Our customers are serviced through our branch network, ATMs, call centers, online banking and mobile channels. The branch network is located in markets across the Mid-Atlantic, Midwest and Southeast. In 2018, Retail Banking launched its national retail digital strategy designed to grow customers with digitally-led banking and an ultra-thin branch network in markets outside of our existing retail branch network. Deposit products include checking, savings and money market accounts and certificates of deposit. Lending products include residential mortgages, home equity loans and lines of credit, auto loans, credit cards, education loans and personal and small business loans and lines of credit. The residential mortgage loans are directly originated within our branch network and nationwide, and are typically underwritten to government agency and/or third-party standards, and either sold, servicing retained, or held on our balance sheet. Brokerage, investment management and cash management products and services include managed, education, retirement and trust accounts.

Corporate & Institutional Banking provides lending, treasury management and capital markets-related products and services to mid-sized and large corporations, and government and not-for-profit entities. Lending products include secured and unsecured loans, letters of credit and equipment leases. Treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting and global trade services. Capital markets-related products and services include foreign exchange, derivatives, securities underwriting, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services. We also provide commercial loan servicing and technology solutions for the commercial real estate finance industry. Products and services are provided nationally.

Asset Management Group provides personal wealth management for high net worth and ultra high net worth clients and institutional asset management. The Asset Management group is composed of three distinct operating units:

- Wealth management provides products and services to individuals and their families including investment and retirement planning, customized investment management, private banking, and trust management and administration for individuals and their families.
- Our Hawthorn unit provides multi-generational family planning including estate, financial, tax planning, fiduciary, investment management and consulting, private banking, personal administrative services, asset custody and customized performance reporting to ultra high net worth clients.
- Institutional asset management provides outsourced chief investment officer, custody, private real estate, cash and fixed income client solutions, and fiduciary retirement advisory services to institutional clients including corporations, healthcare systems, insurance companies, unions, municipalities and non-profits.

BlackRock, in which we hold an equity investment, is a leading publicly-traded investment management firm providing a broad range of investment and technology services to institutional and retail clients worldwide. Using a diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes, BlackRock tailors investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. BlackRock also offers technology services, including an investment and risk management technology platform, as well as advisory services and solutions to a broad base of institutional and wealth management clients.

Our equity investment in BlackRock provides us with an additional source of noninterest income and increases our overall revenue diversification. At June 30, 2019, our economic interest in BlackRock was 22%. We received cash dividends from BlackRock of $230 million and $201 million during the first six months of 2019 and 2018, respectively. BlackRock is a publicly-traded company, and additional information regarding its business is available in its filings with the Securities and Exchange Commission (SEC).

Note 15 Fee-based Revenue from Contracts with Customers

As more fully described in Note 23 Fee-based Revenue from Contracts with Customers in our 2018 Form 10-K, a subset of our noninterest income relates to certain fee-based revenue within the scope of ASC Topic 606 - *Revenue from Contracts with Customers* (Topic 606).

Fee-based revenue within the scope of Topic 606 is recognized within three of our reportable business segments, Retail Banking, Corporate & Institutional Banking and Asset Management Group. Income recognized from our investment in BlackRock, also a reportable segment, is outside of the scope of the standard. Topic 606 also excludes interest income, income from lease contracts, fair value gains from financial instruments (including derivatives), income from mortgage servicing rights and guarantee products, letter of credit fees, non-refundable fees associated with acquiring or originating a loan and gains from the sale of financial assets.

The following tables present noninterest income within the scope of Topic 606 disaggregated by segment. A description of the fee-based revenue and how it is recognized for each segment's principal services and products follows each table.

Retail Banking

Table 72: Retail Banking Noninterest Income Disaggregation

In millions	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Product				
Deposit account fees	$ 154	$ 145	$ 302	$ 289
Debit card fees	136	127	260	244
Brokerage fees	86	88	175	174
Merchant services	56	55	104	102
Net credit card fees (a)	51	49	99	94
Other	62	73	128	143
Total in-scope noninterest income by product	$ 545	$ 537	$ 1,068	$ 1,046
Reconciliation to total Retail Banking noninterest income				
Total in-scope noninterest income	$ 545	$ 537	$ 1,068	$ 1,046
Total out-of-scope noninterest income (b)	112	141	184	267
Total Retail Banking noninterest income	$ 657	$ 678	$ 1,252	$ 1,313

(a) Net credit card fees consists of interchange fees of $ 126 million and $115 million and credit card reward costs of $ 75 million and $66 million for the three months ended June 30, 2019 and 2018, respectively. Net credit card fees consists of interchange fees of $238 million and $217 million and credit card reward costs of $ 139 million and $123 million for the six months ended June 30, 2019 and 2018, respectively.
(b) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

Deposit Account Fees
Retail Banking provides demand deposit, money market and savings account products for consumer and small business customers. Services include online and branch banking, overdraft and wire transfer services, imaging services and cash alternative services such as money orders and cashier's checks. We recognize fee income at the time these services are performed for the customer.

Debit Card and Net Credit Card Fees
As an issuing bank, Retail Banking earns interchange fee revenue from debit and credit card transactions. By offering card products, we maintain and administer card-related services, such as credit card reward programs, account data and statement information, card activation, card renewals, and card suspension and blockage. Interchange fees are earned when cardholders make purchases and are presented net of credit card reward costs.

Brokerage Fees
Retail Banking earns fee revenue by providing its customers a wide range of investment options through its brokerage services including mutual funds, annuities, stocks, bonds, long-term care and insurance products, and managed accounts. We earn fee revenue for transaction-based brokerage services, such as the execution of market trades, once the transaction has been completed as of the trade date. In other cases, such as investment management services, we earn fee revenue over the term of the customer contract.

Merchant Services
Retail Banking earns fee revenue for debit and credit card processing services. We provide these services to merchant businesses including point-of-sale payment acceptance capabilities and customized payment processing built around the merchant’s specific requirements. We earn fee revenue as the merchant's customers make purchases.

Other
Other noninterest income primarily includes ATM fees earned from our customers and non-PNC customers. These fees are recognized as transactions occur.

Corporate & Institutional Banking

Table 73: Corporate & Institutional Banking Noninterest Income Disaggregation

	Three months ended June 30		Six months ended June 30	
In millions	2019	2018	2019	2018
Product				
Treasury management fees	$ 212	$ 197	$ 411	$ 382
Capital markets fees	149	135	276	250
Commercial mortgage banking activities	24	21	49	42
Other	19	19	36	35
Total in-scope noninterest income by product	$ 404	$ 372	$ 772	$ 709
Reconciliation to total Corporate & Institutional Banking noninterest income				
Total in-scope noninterest income	$ 404	$ 372	$ 772	$ 709
Total out-of-scope noninterest income (a)	257	263	465	473
Total Corporate & Institutional Banking noninterest income	$ 661	$ 635	$ 1,237	$ 1,182

(a) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

Treasury Management Fees
Corporate & Institutional Banking provides corporations with cash and investment management services, receivables and disbursement management services, funds transfer services and access to online/mobile information management and reporting services. Treasury management fees are recognized over time as we perform these services.

Capital Markets Fees
Capital markets fees include securities underwriting fees, merger and acquisition advisory fees and other advisory related fees. We recognize these fees when the related transaction closes.

Commercial Mortgage Banking Activities
Commercial mortgage banking activities include servicing responsibilities where we do not own the servicing rights. Servicing responsibilities typically consist of collecting and remitting monthly borrower principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and, in certain instances, funding of servicing advances. We recognize servicing fees over time as we perform these activities.

Other
Other noninterest income within Corporate & Institutional Banking primarily comprised fees from collateral management and asset management services. We earn these fees over time as we perform these services.

Asset Management Group

Table 74: Asset Management Group Noninterest Income Disaggregation

	Three months ended June 30		Six months ended June 30	
In millions	2019	2018	2019	2018
Customer Type				
Personal	$ 157	$ 152	$ 304	$ 306
Institutional	64	68	129	136
Total in-scope noninterest income by customer type	$ 221	$ 220	$ 433	$ 442
Reconciliation to Asset Management Group noninterest income				
Total in-scope noninterest income	$ 221	$ 220	$ 433	$ 442
Total out-of-scope noninterest income (a)	65	2	70	6
Total Asset Management Group noninterest income	$ 286	$ 222	$ 503	$ 448

(a) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

Asset Management Services
Asset Management Group provides both personal wealth and institutional asset management services including investment management, custody services, retirement planning, family planning, trust management and retirement administration services. We recognize fee revenue over the term of the customer contract based on the value of assets under management at a point in time.

NOTE 16 LEASES

We lease retail branches, ATMs, datacenters, office space, land and equipment under operating and finance leases. Our leases have remaining lease terms of one year to sixty-two years, some of which may include options to renew the leases for up to ninety-nine years, and some of which may include options to terminate the leases prior to the end date. Certain leases also include options to purchase the leased asset. The exercise of lease renewal, termination and purchase options is at our sole discretion.

At adoption of ASU 2016-02 on January 1, 2019, we elected to account for the lease and nonlease components of existing real estate leases and leases of advertising assets, such as signage, as a single lease component. Effective January 1, 2019, lease and nonlease components of new lease agreements will be accounted for separately. Lease components include fixed payments including rent, real estate taxes and insurance costs and nonlease components include common-area maintenance costs. Generally, we have elected to use the Overnight Indexed Swap rate corresponding to the term of the lease at the lease measurement date as our incremental borrowing rate to measure the right-of-use asset and lease liability. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Certain of our lease agreements include rental payments based on a percentage of revenue and others include rental payments if certain bank deposit levels are met. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Subleases to third parties were not material at June 30, 2019.

Operating lease assets and liabilities totaled $2.0 billion and $2.2 billion at June 30, 2019, respectively. Finance lease assets and liabilities at June 30, 2019 were not material.

Future undiscounted cash flows on our operating leases are as follows:

Table 75: Maturity of Operating Lease Liabilities

In millions	June 30, 2019
Remainder of 2019	$ 178
2020	345
2021	319
2022	283
2023	251
After 2023	1,057
Total operating lease payments	$ 2,433
Less: Interest	276
Present value of operating lease liabilities	$ 2,157

At December 31, 2018, operating lease commitments under lessee arrangements were $374 million, $346 million, $308 million, $258 million, $228 million for 2019 through 2023, respectively, and $941 million in the aggregate for all years thereafter.

Operating lease term and discount rates at June 30, 2019 were as follows:

Table 76: Operating Lease Term and Discount Rates

	June 30, 2019
Weighted-average remaining lease term (years)	9
Weighted-average discount rate	2.53 %

NOTE 17 SUBSEQUENT EVENTS

On July 23, 2019, PNC Bank issued the following:

- $600 million of senior notes with a maturity date of July 22, 2022. Interest is payable semi-annually at a fixed rate of 2.232% per annum, on July 22 and January 22 of each year, beginning on January 22, 2020. Interest is payable quarterly at the floating rate equal to the 3-month LIBOR rate plus 44 basis points, on January 22, April 22, July 22, and October 22, beginning on October 22, 2021.
- $900 million of senior floating rate notes with a maturity date of July 22, 2022. Interest is payable quarterly at the 3-month LIBOR rate, reset quarterly, plus 45 basis points, on January 22, April 22, July 22 and October 22 of each year, beginning on October 22, 2019.

On July 23, 2019, the parent company issued $1.0 billion of senior notes with a maturity date of July 23, 2026. Interest is payable semi-annually at a fixed rate of 2.60% per annum, on July 23 and January 23 of each year, beginning on January 23, 2020.

STATISTICAL INFORMATION (UNAUDITED)
THE PNC FINANCIAL SERVICES GROUP, INC.
Average Consolidated Balance Sheet And Net Interest Analysis (a) (b) (c)

	Six months ended June 30					
	2019			2018		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ 29,589	$ 434	2.93%	$ 25,986	$ 343	2.64%
Non-agency	1,845	71	7.64%	2,334	73	6.25%
Commercial mortgage-backed	5,457	84	3.09%	4,491	62	2.76%
Asset-backed	5,266	88	3.35%	5,160	77	2.99%
U.S. Treasury and government agencies	18,529	232	2.49%	15,017	164	2.17%
Other	3,453	57	3.34%	4,172	75	3.61%
Total securities available for sale	64,139	966	3.01%	57,160	794	2.77%
Securities held to maturity						
Residential mortgage-backed	15,487	230	2.97%	15,216	218	2.86%
Commercial mortgage-backed	585	10	3.55%	854	16	3.74%
Asset-backed	175	3	3.88%	196	3	3.19%
U.S. Treasury and government agencies	763	11	2.83%	745	10	2.82%
Other	1,834	42	4.42%	1,904	42	4.42%
Total securities held to maturity	18,844	296	3.13%	18,915	289	3.06%
Total investment securities	82,983	1,262	3.04%	76,075	1,083	2.85%
Loans						
Commercial	121,907	2,619	4.27%	112,411	2,180	3.86%
Commercial real estate	28,285	625	4.40%	28,894	571	3.93%
Equipment lease financing	7,274	145	4.00%	7,670	131	3.43%
Consumer	55,099	1,517	5.55%	55,487	1,353	4.92%
Residential real estate	19,147	409	4.28%	17,437	382	4.38%
Total loans	231,712	5,315	4.58%	221,899	4,617	4.16%
Interest-earning deposits with banks	14,238	171	2.41%	23,329	191	1.64%
Other interest-earning assets	12,113	231	3.82%	7,402	167	4.52%
Total interest-earning assets/interest income	341,046	6,979	4.09%	328,705	6,058	3.68%
Noninterest-earning assets	50,415			47,244		
Total assets	$ 391,461			$ 375,949		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 54,758	315	1.16%	$ 57,355	$ 167	.59%
Demand	63,958	170	.53%	60,017	68	.23%
Savings	60,394	347	1.16%	49,791	162	.65%
Time deposits	19,430	155	1.61%	16,737	77	.93%
Total interest-bearing deposits	198,540	987	1.00%	183,900	474	.52%
Borrowed funds						
Federal Home Loan Bank borrowings	22,089	303	2.73%	20,839	209	2.00%
Bank notes and senior debt	26,145	451	3.43%	28,887	390	2.69%
Subordinated debt	5,704	124	4.34%	5,016	105	4.20%
Other	7,128	87	2.44%	4,558	48	2.01%
Total borrowed funds	61,066	965	3.14%	59,300	752	2.52%
Total interest-bearing liabilities/interest expense	259,606	1,952	1.50%	243,200	1,226	1.01%
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	71,526			76,925		
Accrued expenses and other liabilities	12,187			9,031		
Equity	48,142			46,793		
Total liabilities and equity	$ 391,461			$ 375,949		
Interest rate spread			2.59%			2.67%
Impact of noninterest-bearing sources			.35			.27
Net interest income/margin		$ 5,027	2.94%		$ 4,832	2.94%

(continued on following page)

Average Consolidated Balance Sheet And Net Interest Analysis (a) (b) (c) (Continued)

Taxable-equivalent basis Dollars in millions	Three months ended June 30 2019 Average Balances	Interest Income/Expense	Average Yields/Rates	2018 Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ 30,169	$ 221	2.93%	$ 26,527	$ 178	2.68%
Non-agency	1,801	36	7.99%	2,271	37	6.52%
Commercial mortgage-backed	5,545	42	3.06%	4,449	31	2.76%
Asset-backed	5,395	45	3.34%	5,161	40	3.11%
U.S. Treasury and government agencies	18,815	118	2.48%	15,719	90	2.25%
Other	3,237	27	3.33%	4,112	41	4.06%
Total securities available for sale	64,962	489	3.01%	58,239	417	2.85%
Securities held to maturity						
Residential mortgage-backed	15,350	112	2.93%	15,608	113	2.89%
Commercial mortgage-backed	570	5	3.57%	807	8	3.71%
Asset-backed	172	1	3.92%	194	2	3.48%
U.S. Treasury and government agencies	765	6	2.84%	747	5	2.83%
Other	1,822	22	4.44%	1,884	19	4.39%
Total securities held to maturity	18,679	146	3.10%	19,240	147	3.07%
Total investment securities	83,641	635	3.03%	77,479	564	2.91%
Loans						
Commercial	124,441	1,328	4.22%	113,349	1,136	3.97%
Commercial real estate	28,423	318	4.43%	28,888	295	4.04%
Equipment lease financing	7,283	74	4.06%	7,494	58	3.16%
Consumer	55,202	766	5.56%	55,387	686	4.96%
Residential real estate	19,496	207	4.27%	17,566	192	4.36%
Total loans	234,845	2,693	4.56%	222,684	2,367	4.23%
Interest-earning deposits with banks	13,469	80	2.38%	21,017	93	1.78%
Other interest-earning assets	13,145	116	3.55%	6,905	87	4.98%
Total interest-earning assets/interest income	345,100	3,524	4.06%	328,085	3,111	3.78%
Noninterest-earning assets	51,862			47,542		
Total assets	$ 396,962			$ 375,627		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 54,814	160	1.17%	$ 56,199	$ 89	.64%
Demand	64,431	89	.55%	60,409	37	.25%
Savings	61,949	183	1.19%	51,115	94	.74%
Time deposits	20,040	83	1.67%	16,634	41	.98%
Total interest-bearing deposits	201,234	515	1.03%	184,357	261	.57%
Borrowed funds						
Federal Home Loan Bank borrowings	22,681	154	2.69%	20,956	118	2.23%
Bank notes and senior debt	26,865	228	3.36%	28,787	214	2.95%
Subordinated debt	5,526	58	4.17%	4,855	54	4.50%
Other	7,263	44	2.44%	4,368	22	1.82%
Total borrowed funds	62,335	484	3.08%	58,966	408	2.74%
Total interest-bearing liabilities/interest expense	263,569	999	1.51%	243,323	669	1.10%
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	71,648			76,632		
Accrued expenses and other liabilities	13,122			8,944		
Equity	48,623			46,728		
Total liabilities and equity	$ 396,962			$ 375,627		
Interest rate spread			2.55%			2.68%
Impact of noninterest-bearing sources			.36			.28
Net interest income/margin		$ 2,525	2.91%		$ 2,442	2.96%

(a) Nonaccrual loans are included in loans, net of unearned income. The impact of financial derivatives used in interest rate risk management is included in the interest income/expense and average yields/rates of the related assets and liabilities. Basis adjustments related to hedged items are included in noninterest-earning assets and noninterest-bearing liabilities. Average balances of securities are based on amortized historical cost (excluding adjustments to fair value, which are included in other assets). Average balances for certain loans and borrowed funds accounted for at fair value are included in noninterest-earning assets and noninterest-bearing liabilities, with changes in fair value recorded in Noninterest income.

(b) Loan fees for the three months ended June 30, 2019 and June 30, 2018 were $43 million and $33 million, respectively. Loan fees for the six months ended June 30, 2019 and June 30, 2018 were $ 71 million and $65 million, respectfully.

(c) Interest income calculated as taxable-equivalent interest income. To provide more meaningful comparisons of interest income and yields for all interest-earning assets, as well as net interest margins, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP. See Reconciliation of Taxable-Equivalent Net Interest Income in this Statistical Information section for more information.

RECONCILIATION OF TAXABLE-EQUIVALENT NET INTEREST INCOME (NON-GAAP) (a)

	Six months ended		Three months ended	
In millions	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net interest income (GAAP)	$ 4,973	$ 4,774	$ 2,498	$ 2,413
Taxable-equivalent adjustments	54	58	27	29
Net interest income (Non-GAAP)	$ 5,027	$ 4,832	$ 2,525	$ 2,442

(a) The interest income earned on certain interest-earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of net interest income, we use interest income on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information set forth in Note 12 Legal Proceedings in the Notes To Consolidated Financial Statements under Part I, Item 1 of this Report, which is incorporated by reference in response to this item.

ITEM 1A. RISK FACTORS

There are no material changes in our risk factors from those previously disclosed in PNC's 2018 Form 10-K in response to Part I, Item 1A.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Details of our repurchases of PNC common stock during thesecond quarter of 2019 are included in the following table.

2019 period In thousands, except per share data	Total shares purchased (a)	Average price paid per share	Total shares purchased as part of publicly announced programs (b)	Maximum number of shares that may yet be purchased under the programs (b)
April 1 - 30	1,887	$ 132.67	1,883	12,915
May 1 - 31	2,729	$ 131.98	2,729	10,186
June 1 - 30	1,431	$ 134.01	1,431	8,755
Total	6,047	$ 132.68		

(a) Includes PNC common stock purchased in connection with our various employee benefit plans generally related to shares used to cover employee payroll tax withholding requirements. Note 11 Employee Benefit Plans and Note 12 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements of our 2018 Annual Report on Form 10-K include additional information regarding our employee benefit and equity compensation plans that use PNC common stock.

(b) On March 11, 2015, we announced that our Board of Directors approved the establishment of a stock repurchase program authorization in the amount of 100 million shares of PNC common stock, effective April 1, 2015. Repurchases are made in open market or privately negotiated transactions and the timing and exact amount of common stock repurchases will depend on a number of factors including, among others, market and general economic conditions, regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, and contractual and regulatory limitations, including the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve as part of the CCAR process. In June 2018, we announced share repurchase programs of up to $2.0 billion for the four quarter period beginning with the third quarter of 2018, including repurchases of up to $300 million related to employee benefit plans, in accordance with PNC's 2018 capital plan. In the second quarter of 2019, we repurchased 6.0 million shares of common stock on the open market, with an average price of $132.68 per share and an aggregate repurchase price of $.8 billion.

ITEM 6. EXHIBITS

The following exhibit index lists Exhibits filed, or in the case of Exhibits 32.1 and 32.2 furnished, with this Quarterly Report on Form 10-Q:

EXHIBIT INDEX

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350

32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350

101 Interactive Data File (XBRL)

You can obtain copies of these Exhibits electronically at the SEC's website at www.sec.gov. The Exhibits are also available as part of this Form 10-Q on PNC's corporate website at www.pnc.com/secfilings. Shareholders and bondholders may also obtain copies of Exhibits, without charge, by contacting Shareholder Relations at 800-843-2206 or via e-mail at investor.relations@pnc.com. The interactive data file (XBRL) exhibit is only available electronically.

CORPORATE INFORMATION

The PNC Financial Services Group, Inc.

Corporate Headquarters

The PNC Financial Services Group, Inc.
The Tower at PNC Plaza
300 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2401
888-762-2265

Internet Information

Our financial reports and information about our products and services are available on the internet at www.pnc.com. We provide information for investors on our corporate website under “About Us – Investor Relations.” We use our Twitter account, @pncnews, as an additional way of disseminating to the public information that may be relevant to investors.

We generally post the following under “About Us – Investor Relations” 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 several days 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 materials for prior presentations or in our annual, quarterly or current reports.

We may on occasion use our corporate 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 rather than "About Us – Investor Relations."

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 and certain public disclosures regarding our liquidity position and liquidity risk management, under rules adopted by the Federal banking agencies. Under these regulations, we may satisfy these requirements through postings on our website, 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 annual communications from our chairman to shareholders, as well as our corporate social responsibility activities under "About Us – Corporate Responsibility."

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

Financial Information

We are subject to the informational requirements of the Securities Exchange Act of 1934 (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 or on our corporate internet website at www.pnc.com/secfilings. Shareholders and bond holders may also obtain copies of these filings without charge by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus for copies without exhibits, or via email to investor.relations@pnc.com for copies of exhibits, including financial statement and schedule exhibits where applicable. The interactive data file (XBRL) exhibit is only available electronically.

Corporate Governance at PNC

Information about our Board of Directors and its committees and corporate governance, including our PNC Code of Business Conduct and Ethics (as amended from time to time), is available on our corporate website at www.pnc.com/corporategovernance. In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to 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, Personnel and Compensation, or Risk Committees (all of which are posted on the PNC corporate website) may do so by sending their requests to our Corporate Secretary at corporate headquarters at the above address. Copies will be provided without charge to shareholders.

Inquiries

For financial services call 888-762-2265.

Registered shareholders should contact Shareholder Services at 800-982-7652.

Analysts and institutional investors should contact Bryan Gill, Executive Vice President, Director of Investor Relations, at 412-768-4143 or via email at investor.relations@pnc.com.

News media representatives should contact PNC Media Relations at 412-762-4550 or via email at media.relations@pnc.com.

Dividend Policy

Holders of PNC common stock are entitled to receive dividends when declared by the Board of Directors out of funds legally available for this purpose. Our Board of Directors may not pay or set apart dividends on the common stock until dividends for all past dividend periods on any series of outstanding preferred stock have been paid or declared and set apart for payment. The Board presently intends to continue the policy of paying quarterly cash dividends. The amount of any future dividends will depend on economic and market conditions, our financial condition and operating results, and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and non-bank subsidiaries to pay dividends to the parent company and regulatory capital limitations). The amount of our dividend is also currently subject to the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve as part of the CCAR process as described in the Capital Management portion of the Risk Management section of the Financial Review of this Report and in the Supervision and Regulation section in Item 1 of our 2018 Form 10-K.

Dividend Reinvestment and Stock Purchase Plan

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase Plan enables holders of our common stock to conveniently purchase additional shares of common stock. You can obtain a prospectus and enrollment form by contacting Shareholder Services at 800-982-7652. Registered shareholders may also contact this phone number regarding dividends and other shareholder services.

Stock Transfer Agent and Registrar

Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
800-982-7652
www.computershare.com/pnc

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on August 1, 2019 on its behalf by the undersigned thereunto duly authorized.

/s/ Robert Q. Reilly

Robert Q. Reilly
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, William S. Demchak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The PNC Financial Services Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ William S. Demchak

William S. Demchak
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert Q. Reilly, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The PNC Financial Services Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

/s/ Robert Q. Reilly

Robert Q. Reilly
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, William S. Demchak, Chairman, President and Chief Executive Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ William S. Demchak

William S. Demchak
Chairman, President and Chief Executive Officer

August 1, 2019

EXHIBIT 32.2

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, Robert Q. Reilly, Executive Vice President and Chief Financial Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ Robert Q. Reilly

Robert Q. Reilly
Executive Vice President and Chief Financial Officer

August 1, 2019