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, 2020
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)

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

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 ☒

As of July 17, 2020, there were 424,502,851 shares of the registrant's common stock ($5 par value) outstanding.

Cross-Reference Index to Second Quarter 2020 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 2019 Annual Report on Form 10-K (2019 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 2019 Form 10-K; Item 1A Risk Factors included in our first quarter 2020 Form 10-Q and our 2019 Form 10-K; and the Commitments and Legal Proceedings Notes of the Notes To Consolidated Financial Statements included in Item 1 of this Report and Item 8 of our 2019 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 2019 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 15 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 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Financial Results (a)				
Revenue				
Net interest income	$ 2,527	$ 2,498	$ 5,038	$ 4,973
Noninterest income	1,549	1,717	3,374	3,303
Total revenue	4,076	4,215	8,412	8,276
Provision for credit losses	2,463	180	3,377	369
Noninterest expense	2,515	2,611	5,058	5,189
Income (loss) from continuing operations before income taxes and noncontrolling interests	$ (902)	$ 1,424	$ (23)	$ 2,718
Income taxes (benefit) from continuing operations	(158)	239	(38)	451
Net income (loss) from continuing operations	$ (744)	$ 1,185	$ 15	$ 2,267
Income from discontinued operations before taxes	$ 5,596	$ 224	$ 5,777	$ 449
Income taxes from discontinued operations	1,197	35	1,222	71
Net income from discontinued operations	$ 4,399	$ 189	$ 4,555	$ 378
Net income	$ 3,655	$ 1,374	$ 4,570	$ 2,645
Less:				
Net income attributable to noncontrolling interests	7	12	14	22
Preferred stock dividends (b)	55	55	118	118
Preferred stock discount accretion and redemptions	1	1	2	2
Net income attributable to common shareholders	$ 3,592	$ 1,306	$ 4,436	$ 2,503
Per Common Share				
Basic earnings (loss) from continuing operations	$ (1.90)	$ 2.47	$ (.29)	$ 4.68
Basic earnings from discontinued operations	10.28	.42	10.60	.83
Total basic earnings	$ 8.40	$ 2.89	$ 10.33	$ 5.51
Diluted earnings (loss) from continuing operations	$ (1.90)	$ 2.47	$ (.29)	$ 4.67
Diluted earnings from discontinued operations	10.28	.41	10.59	.82
Total diluted earnings	$ 8.40	$ 2.88	$ 10.32	$ 5.49
Cash dividends declared per common share	$ 1.15	$ .95	$ 2.30	$ 1.90
Effective tax rate from continuing operations (c)	17.5%	16.8%	165.2%	16.6%
Performance Ratios				
Net interest margin (d)	2.52%	2.91%	2.67%	2.94%
Noninterest income to total revenue	38%	41%	40%	40%
Efficiency	62%	62%	60%	63%
Return on:				
Average common shareholders' equity	30.11%	11.75%	19.15%	11.45%
Average assets	3.21%	1.39%	2.11%	1.36%

(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) 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.
(c) 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.
(d) Net interest margin is the total yield on interest-earning assets minus the total rate on interest-bearing liabilities and includes the benefit from use of noninterest-bearing sources. To provide more meaningful comparisons of net interest margins, we use net interest income on a taxable-equivalent basis in calculating average yields used in the calculation of 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 2020	December 31 2019	June 30 2019
Balance Sheet Data (dollars in millions, except per share data)			
Assets	$ 458,978	$ 410,295	$ 405,761
Loans	$ 258,236	$ 239,843	$ 237,215
Allowance for loan and lease losses (b)	$ 5,928	$ 2,742	$ 2,721
Interest-earning deposits with banks (c)	$ 50,233	$ 23,413	$ 18,362
Investment securities	$ 98,493	$ 86,824	$ 88,303
Loans held for sale	$ 1,443	$ 1,083	$ 1,144
Equity investments	$ 4,943	$ 5,176	$ 4,817
Asset held for sale (d)		$ 8,558	$ 8,184
Mortgage servicing rights	$ 1,067	$ 1,644	$ 1,627
Goodwill	$ 9,233	$ 9,233	$ 9,221
Other assets	$ 34,920	$ 32,202	$ 34,193
Noninterest-bearing deposits	$ 99,458	$ 72,779	$ 69,867
Interest-bearing deposits	$ 246,539	$ 215,761	$ 203,393
Total deposits	$ 345,997	$ 288,540	$ 273,260
Borrowed funds	$ 47,026	$ 60,263	$ 69,025
Allowance for unfunded lending related commitments (b)	$ 662	$ 318	$ 291
Total shareholders' equity	$ 52,923	$ 49,314	$ 49,340
Common shareholders' equity	$ 48,928	$ 45,321	$ 45,349
Accumulated other comprehensive income	$ 3,069	$ 799	$ 631
Book value per common share	$ 115.26	$ 104.59	$ 101.53
Period-end common shares outstanding (in millions)	425	433	447
Loans to deposits	75 %	83 %	87 %
Common shareholders' equity to total assets	10.7 %	11.0 %	11.2 %
Client Assets (in billions)			
Discretionary client assets under management	$ 151	$ 154	$ 162
Nondiscretionary client assets under administration	138	143	132
Total client assets under administration	289	297	294
Brokerage account client assets	53	54	52
Total client assets	$ 342	$ 351	$ 346
Basel III Capital Ratios (e) (f)			
Common equity Tier 1	11.3 %	9.5 %	9.7 %
Common equity Tier 1 fully implemented (g)	10.9 %	N/A	N/A
Tier 1 risk-based	12.4 %	10.7 %	10.9 %
Total capital risk-based (h)	14.9 %	12.7 %	12.8 %
Leverage	9.4 %	9.1 %	9.6 %
Supplementary leverage	9.3 %	7.6 %	8.0 %
Asset Quality			
Nonperforming loans to total loans	.73 %	.68 %	.73 %
Nonperforming assets to total loans, OREO and foreclosed assets	.76 %	.73 %	.78 %
Nonperforming assets to total assets	.43 %	.43 %	.46 %
Net charge-offs to average loans (for the three months ended) (annualized)	.35 %	.35 %	.24 %
Allowance for loan and lease losses to total loans (i)	2.30 %	1.14 %	1.15 %
Allowance for credit losses to total loans (i) (j)	2.55 %	1.28 %	1.27 %
Allowance for loan and lease losses to nonperforming loans (i)	316 %	168 %	158 %
Accruing loans past due 90 days or more (in millions)	$ 456	$ 585	$ 524

(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 at June 30, 2020 reflect the impact of adopting Accounting Standards Update 2016-13 - Financial Instruments - *Credit Losses*, which is commonly referred to as the Current Expected Credit Losses (CECL) standard and our transition from an incurred loss methodology for these reserves to an expected credit loss methodology. See Note 1 Accounting Policies of this Report for additional information related to our adoption of this standard.

(c) Amounts include balances held with the Federal Reserve Bank of Cleveland (Federal Reserve Bank) of $ 50.0 billion, $ 23.2 billion and $ 18.1 billion as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

(d) Represents our held for sale investment in BlackRock, Inc. In the second quarter of 2020, PNC divested its entire investment in BlackRock. Prior period BlackRock investment balances have been reclassified to the Asset held for sale line in accordance with ASC 205-20, Presentation of Financial Statements - Discontinued Operations. Refer to Note 1 Accounting Policies and Note 2 Discontinued Operations for additional details.
(e) All ratios are calculated using the regulatory capital methodology applicable to PNC during each period presented and 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 2019 Form 10-K.
(f) The June 30, 2020 ratios are calculated to reflect PNC's election to adopt the CECL optional five-year transition provision, unless noted differently.
(g) The June 30, 2020 fully implemented CET1 ratio is calculated to reflect the full impact of CECL and excludes the benefits of the five-year transition provision.
(h) The 2020 and 2019 Basel III Total risk-based capital ratios include nonqualifying trust preferred capital securities of $40 million and $60 million, respectively, that are subject to a phase-out period that runs through 2021.
(i) Ratios at June 30, 2020 reflect the changes in methodology due to the adoption of the CECL accounting standard on January 1, 2020, along with increases in reserves during 2020 due to the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth.
(j) Calculated as the Allowance for loan and lease losses plus the Allowance for unfunded lending related commitments divided by total loans.

Executive Summary

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States (U.S.). We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located primarily 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 serve our customers and expand and deepen 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 customers 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 2019 Form 10-K.

Economic Environment

The coronavirus (COVID-19) pandemic and public health response to contain it led to a severe recession in the first and second quarters of 2020, after the US economy reached a peak in economic activity in February 2020. Most measures of economic activity contracted with enormous declines in consumer spending, employment, retail sales, business investment, industrial production and corporate profitability. The unemployment rate peaked at 14.7% in April before declining in June 2020 to a still extremely elevated level of 11.1%. While economic conditions have started to improve, including a rebound in consumer spending and job growth, economic activity remains far below its pre-recession level with real GDP not expected to return to its pre-recession level until 2022. There is still a great deal of uncertainty about the length and severity of the pandemic and the strength or reversal of the economic rebound.

The Federal Reserve has undertaken extraordinary efforts to combat the economic weakness, reducing the federal funds rate 1.5 percentage points in March to a range of 0.00% to 0.25%. The central bank put downward pressure on long-term rates by expanding its balance sheet and purchasing long-term Treasury and mortgage-backed securities ("quantitative easing"). The Federal Reserve has also implemented multiple programs to support the flow of credit to businesses, consumers, and state and local governments, including, for the first time, direct purchases of corporate bonds and of bank loans to small and medium-sized businesses. In addition, the federal government has authorized $2.4 trillion in federal spending to support household incomes and businesses, including the $1.8 trillion Coronavirus Aid, Relief and Economic Security (CARES) Act.

PNC is committed to putting our resources to work to support our customers, communities and the broader financial system. PNC is participating in the Paycheck Protection Program (PPP) under the CARES Act and funded $13.7 billion of PPP loans during the second quarter of 2020. We granted short-term loan modifications for loan customers experiencing hardships through extensions, deferrals, partial payments and forbearance. In addition, we have temporarily halted the majority of consumer real estate related foreclosures, while we continue to monitor the situation. See the Troubled Debt Restructurings and Loan Modifications in the Credit Risk Management portion of the Risk Management section of this Financial Review for details on our commercial and consumer loan modifications.

Our retail branch operations remain temporarily modified and have begun a gradual return to business as usual as we continue to prioritize the safety and well-being of our customers and employees. A majority of our branch locations have remained open and offer full in-branch services by appointment only, as well as options for ATM and, in equipped branches, drive-up services. Additionally, digital and call center channels have experienced elevated customer activity.

See the Recent Regulatory Developments section of this Financial Review as well as the Recent Regulatory Developments section in our first quarter 2020 Form 10-Q for additional detail on the CARES Act and other governmental responses to the COVID-19 pandemic and its economic and financial impacts. See also Risk Factors in Part II, Item 1A of our first quarter 2020 Form 10-Q for a description of the associated risks.

Sale of Equity Investment in BlackRock, Inc.

During the second quarter, we divested our entire 22.4% investment in BlackRock. PNC completed the sale of 31.6 million shares of BlackRock common and preferred stock through a registered secondary offering on May 15, 2020, and BlackRock repurchased 2.65 million shares from PNC. Total proceeds from the sale were $14.2 billion in cash, net of $.2 billion in expenses. The after-tax gain on the sale of $4.3 billion, and donation expense and BlackRock's results for all periods presented, are reported as discontinued operations. After completion of the registered secondary offering and BlackRock's share repurchase, PNC retained 500,000 shares of BlackRock common stock. These shares were donated to the PNC Foundation on May 18, 2020. As a result of the sale and donation, PNC and its affiliates only hold shares of BlackRock stock in a fiduciary capacity for clients of PNC and its affiliates. See Note 2 Discontinued Operations for additional details on our results and cash flows for the three and six months ended June 30, 2020 and 2019.

Income Statement Highlights

Results from continuing operations was a net loss of $744 million, or $1.90 loss per diluted common share for the second quarter of 2020, a decrease of $1.9 billion, compared to net income from continuing operations of $1.2 billion, or $2.47 per diluted common share, for the second quarter of 2019, driven by a higher provision for credit losses.

- Total revenue decreased $139 million, or 3%, to $4.1 billion.
  - Net interest income of $2.5 billion increased $29 million, or 1%.
  - Net interest margin decreased to 2.52% compared to 2.91% for the second quarter of 2019.
  - Noninterest income decreased $168 million, or 10%, to $1.6 billion.
- Provision for credit losses of $2.5 billion, which was calculated under the Current Expected Credit Losses (CECL) accounting standard adopted January 1, 2020, increased $2.3 billion compared to the second quarter of 2019 reflecting the change in methodology together with the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth.
- Noninterest expense decreased $96 million, or 4%, to $2.5 billion.

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 at June 30, 2020 and December 31, 2019. In comparison to December 31, 2019:

- Total assets increased $48.7 billion, or 12%, to $459.0 billion.
- Total loans increased $18.4 billion, or 8%, to $258.2 billion.
  - Total commercial loans grew $19.6 billion, or 12%, to $180.2 billion, reflecting PPP lending under the CARES Act and higher utilization of loan commitments driven by the economic impact of the pandemic on customer liquidity preferences.
  - Total consumer loans decreased $1.2 billion, or 2%, to $78.0 billion.
- Investment securities increased $11.7 billion, or 13%, to $98.5 billion.
- Interest-earning deposits with banks, primarily with the Federal Reserve Bank, increased $26.8 billion to $50.2 billion due to higher liquidity from deposit growth and proceeds from the sale of our equity investment in BlackRock.

- Total deposits increased $57.5 billion, or 20%, to $346.0 billion due to growth in commercial deposits reflecting pandemic-related accumulation of liquidity by customers and higher consumer deposits driven by government stimulus payments and lower consumer spending.
- Borrowed funds decreased $13.2 billion, or 22%, to $47.0 billion reflecting use of liquidity from deposit growth and proceeds from the sale of our equity investment in BlackRock.

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

Credit Quality Highlights

Credit quality metrics in the second quarter of 2020 reflected a challenging economic environment.

- At June 30, 2020 compared to December 31, 2019:
  - Nonperforming assets of $2.0 billion increased $203 million, or 12%, driven by higher commercial nonperforming loans primarily related to industries economically impacted by the pandemic and the energy industry.
  - Overall loan delinquencies of $1.3 billion decreased $194 million, or 13%, reflecting CARES Act and other forbearance and extension treatments.
- Net charge-offs were $236 million, or .35% of average loans on an annualized basis, in the second quarter of 2020 compared to $142 million, or .24%, for the second quarter of 2019. Commercial loan net charge-offs increased $75 million and consumer loan net charge-offs increased $19 million.
- The allowance for credit losses increased to $6.6 billion, or 2.55% of total loans, at June 30, 2020, calculated under the CECL accounting standard adopted January 1, 2020, compared to $3.1 billion, or 1.28% of total loans, at December 31, 2019, due to the change in methodology together with the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth.

For additional detail, including the adoption of the CECL accounting standard and the significant economic impact of COVID-19, see the Credit Risk Management portion of the Risk Management section of this Financial Review.

Capital Highlights

We further strengthened our already strong capital position.

- The Basel III common equity Tier 1 (CET1) capital ratio increased to 11.3% at June 30, 2020 from 9.5% at December 31, 2019.
  - The June 30, 2020 ratio reflects a capital increase due to proceeds from the sale of our equity investment in BlackRock, changes under the Tailoring Rules, effective January 1, 2020 for PNC, and our election of a five-year transition provision that delays CECL's estimated impact on CET1 capital, as defined by the rule. CECL's estimated impact on CET1 capital is defined as the change in retained earnings at adoption plus or minus 25% of the change in CECL Allowance for credit losses (ACL) at the balance sheet date compared to CECL ACL at transition. The estimated CECL impact is added to CET1 capital through December 31, 2021, then phased-out over the following three years.
- Common shareholders' equity increased 8% to $48.9 billion at June 30, 2020, compared to $45.3 billion at December 31, 2019.
- The PNC board of directors declared a quarterly cash dividend on common stock payable on August 5, 2020 of $1.15 per share, consistent with the second quarter dividend paid on May 5, 2020.
- We announced on March 16, 2020 a temporary suspension of our common stock repurchase program in conjunction with the Federal Reserve's effort to support the U.S. economy during the pandemic, and will continue the suspension through the third quarter of 2020, with the exception of share repurchases to offset the effects of employee benefit plan-related issuances as permitted by recent guidance from the Federal Reserve. The estimated amount of these repurchases in the third quarter of 2020 is $100 million, but the timing and amount of executed repurchases will be based on market conditions and other factors.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for more detail on our 2020 liquidity and capital actions as well as our capital ratios.

PNC’s ability to take certain capital actions, including returning capital to shareholders beginning in the fourth quarter of 2020, is subject to PNC meeting or exceeding a stress capital buffer established by the Federal Reserve Board in connection with the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process. The Federal Reserve also has imposed limitations on capital distributions in the third quarter of 2020 by CCAR-participating bank holding companies and may extend these limitations, potentially in modified form. For additional information, see Capital Management in the Risk Management section in this Financial Review and the Supervision and Regulation section in Item 1 Business of our 2019 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 views, as follow:

- PNC's baseline economic forecast is for an economic recovery in the second half of 2020 and into 2021, following a very severe but short recession in the first half of 2020. Consumers are increasing their spending and workers are returning to their job sites as states are gradually lifting restrictions on businesses and activities because of the COVID-19 pandemic; fiscal stimulus from the federal government is also supporting economic growth in mid-2020. After a significant contraction in real GDP, steep job losses, and a large increase in the unemployment rate earlier in the second quarter, economic growth has resumed and the labor market is improving.
- In the baseline forecast, real GDP increases in the third quarter as consumers start to spend again. Fiscal stimulus and extremely low interest rates support the recovery. Real GDP surpasses its pre-recession peak in 2022, and growth is well above its long-term trend through 2023.
- The baseline forecast assumes that the Federal Open Market Committee keeps the federal funds rate in its current range of 0.00% to 0.25% into 2023.

Given the many unknowns and potential downside risks, including additional COVID-19 outbreaks, our forward-looking statements are subject to the risk that conditions will be substantially different than we are currently expecting. If efforts to contain COVID-19 are unsuccessful and restrictions on businesses and activities are reimposed or expanded, the economy could fall back into recession. The potential expiration of fiscal stimulus is also a major downside risk. The longer the labor market recovery takes, the more it will damage consumer fundamentals and sentiment. This could make the recovery weaker. Similarly, weak near-term growth could damage business fundamentals and an extended global recession due to COVID-19 would weaken the U.S. recovery. As a result, the outbreak and its consequences, including responsive measures to manage it, have had and are likely to continue to have an adverse effect, possibly materially, on our business and financial performance by adversely affecting, possibly materially, the demand and profitability of our products and services, the valuation of assets and our ability to meet the needs of our customers.

For the third quarter of 2020 compared to the second quarter of 2020, we expect:

- Average loans to decline in the low-single digits percentage range;
- Net interest income to be down approximately 1%;
- Noninterest income to be down between 3% and 5%, including our expectation for lower other noninterest income;
- Noninterest expense to be flat to down; and
- Net loan charge-offs to be between $250 million and $350 million.

For the full year 2020, we expect total revenue and noninterest expense to each be down between 2% and 5% and we expect the 2020 effective tax rate to be in the low teens percentage range.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our first quarter 2020 Form 10-Q and 2019 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.

Results from continuing operations for the second quarter of 2020 was a net loss of $744 million, or $1.90 diluted loss per common share,a decrease of $1.9 billion compared to net income from continuing operations of $1.2 billion, or $2.47 per diluted common share, for the second quarter of 2019. For the first six months of 2020, net income from continuing operations was $15 million, or $0.29 diluted loss per common share, compared to $2.3 billion, or $4.67 per diluted common share, for the first six months of 2019.

The second quarter loss was driven by a $2.3 billion increase in the provision for credit losses, calculated under the CECL accounting standard adopted January 1, 2020 and reflecting the change in methodology together with the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth.

Net Interest Income

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

Three months ended June 30 Dollars in millions	2020 Average Balances	2020 Average Yields/ Rates	2020 Interest Income/ Expense	2019 Average Balances	2019 Average Yields/ Rates	2019 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 88,430	2.41%	$ 533	$ 83,641	3.03%	$ 635
Loans	268,114	3.37%	2,270	234,845	4.56%	2,693
Interest-earning deposits with banks	34,600	0.10%	9	13,469	2.38%	80
Other	10,867	2.26%	62	13,145	3.55%	116
Total interest-earning assets/interest income	$ 402,011	2.85%	2,874	$ 345,100	4.06%	3,524
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 241,445	.23%	141	$ 201,234	1.03%	515
Borrowed funds	53,229	1.39%	187	62,335	3.08%	484
Total interest-bearing liabilities/interest expense	$ 294,674	.44%	328	$ 263,569	1.51%	999
Net interest margin/income (Non-GAAP)		2.52%	2,546		2.91%	2,525
Taxable-equivalent adjustments			(19)			(27)
Net interest income (GAAP)			$ 2,527			$ 2,498

Six months ended June 30 Dollars in millions	2020 Average Balances	2020 Average Yields/ Rates	2020 Interest Income/ Expense	2019 Average Balances	2019 Average Yields/ Rates	2019 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 86,426	2.59%	$ 1,121	$ 82,983	3.04%	$ 1,262
Loans	255,843	3.71%	4,766	231,712	4.58%	5,315
Interest-earning deposits with banks	26,085	0.50%	65	14,238	2.41%	171
Other	10,167	2.84%	144	12,113	3.82%	231
Total interest-earning assets/interest income	$ 378,521	3.21%	6,096	$ 341,046	4.09%	6,979
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 228,390	.45%	516	$ 198,540	1.00%	987
Borrowed funds	55,209	1.80%	501	61,066	3.14%	965
Total interest-bearing liabilities/interest expense	$ 283,599	.71%	1,017	$ 259,606	1.50%	1,952
Net interest margin/income (Non-GAAP)		2.67%	5,079		2.94%	5,027
Taxable-equivalent adjustments			(41)			(54)
Net interest income (GAAP)			$ 5,038			$ 4,973

(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 $29 million, or 1%, and $65 million, or 1%, for the second quarter and first six months of 2020, respectively, compared with the same periods in 2019. The increase in both comparisons was driven by lower rates on borrowings and deposits and higher average loans, balances held with the Federal Reserve Bank and securities, partially offset by lower yields on interest-earning assets. Net interest margin in the quarterly comparison decreased 39 basis points reflecting the full quarter impact of the 1.5% reduction in the federal funds rate by the Federal Reserve in March 2020 and related changes in other short-term rates.

Average investment securities increased $4.8 billion, or 6%, in the quarterly comparison and $3.4 billion, or 4% in the year-to-date comparison. The increase in both comparisons was primarily due to increases in agency residential mortgage-backed securities and commercial mortgage-backed securities, partially offset by a decrease in U.S. Treasury and government agency securities.

Average investment securities represented 22% of average interest-earning assets for the second quarter of 2020 and 23% for the first six months of 2020 compared to 24% for the same periods in 2019.

Average loans grew $33.3 billion, or 14%, and $24.1 billion, or 10%, in the quarterly and year-to-date comparisons, respectively. Loan growth was driven by an increase in both commercial and consumer loans. Average commercial loans increased by $29.2 billion and $19.2 billion in the respective comparisons, reflecting PPP lending under the CARES Act and higher utilization of loan commitments at the end of first quarter and extending through most of the second quarter 2020, driven by the economic impact of the pandemic on customer liquidity preferences.

Average consumer loans increased $4.1 billion and $4.9 billion in the quarterly and year-to-date comparisons, respectively. Growth in residential mortgage, auto, credit card, and unsecured installment loans was partially offset by declines in education loans due to runoff in the guaranteed government loan portfolio and home equity loan paydowns and payoffs that exceeded new origination volumes.

Average loans represented 67% and 68% of average interest-earning assets for thesecond quarter of 2020 and 2019, respectively, and 68% for the first six months of both 2020 and 2019.

Average interest-earning deposits with banks increased $21.1 billion and $11.8 billion in the respective quarterly and year-to-date comparisons, as average balances held with the Federal Reserve Bank increased due to higher liquidity from deposit growth and proceeds from the sale of our equity investment in BlackRock.

Average interest-bearing deposits grew $40.2 billion, or 20%, and $29.9 billion, or 15%, in the respective quarterly and year-to-date comparisons reflecting pandemic-related accumulation of customer liquidity as well as growth in commercial and consumer deposits and customers. In total, average interest-bearing deposits increased to 82% and 81% of average interest-bearing liabilities for the second quarter and first six months of 2020 compared to 76% for the same periods in 2019.

Average borrowed funds decreased $9.1 billion, or 15%, compared with the second quarter of 2019 and $5.9 billion, or 10%, compared with the first six months of 2019 primarily due to a decline in Federal Home Loan Bank (FHLB) borrowings and federal funds purchased reflecting use of liquidity from deposit growth and proceeds from the sale of our equity investment in BlackRock, partially offset by higher bank notes and senior and subordinated 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	2020	2019	$	%	2020	2019	$	%
Noninterest income								
Asset management	$ 199	$ 221	$ (22)	(10)%	$ 400	$ 433	$ (33)	(8)%
Consumer services	330	392	(62)	(16)%	707	763	(56)	(7)%
Corporate services	512	484	28	6 %	1,038	946	92	10 %
Residential mortgage	158	82	76	93 %	368	147	221	150 %
Service charges on deposits	79	171	(92)	(54)%	247	339	(92)	(27)%
Other	271	367	(96)	(26)%	614	675	(61)	(9)%
Total noninterest income	$ 1,549	$ 1,717	$ (168)	(10)%	$ 3,374	$ 3,303	$ 71	2 %

Noninterest income as a percentage of total revenue was 38% and 41% for the second quarter of 2020 and 2019, respectively, and 40% for the first six months of both 2020 and 2019.

Asset management revenue declined due to the impact on fees of PNC's divestiture activity in 2019 of the recordkeeping retirement business and proprietary mutual funds. PNC's discretionary client assets under management decreased to $151 billion at June 30, 2020 from $162 billion at June 30, 2019, primarily as a result of our fourth quarter 2019 sale of PNC's proprietary mutual funds.

Consumer services revenue declined in the quarterly and year-to-date comparisons as a result of lower transaction volumes and activity reflecting lower consumer spending.

Service charges on deposits decreased in both comparisons due to lower transaction volumes and fees waived to assist customers as a result of the pandemic.

Corporate services revenue in the quarterly and year-to-date comparison increased due to higher revenue from commercial mortgage banking activities and asset-backed finance structuring fees and loan syndication fees, partially offset by lower merger and acquisition advisory fees.

Residential mortgage revenue increased in the quarterly comparison due to higher loan sales revenue from higher origination volumes. Revenue increases in the year-to-date comparison were attributable to higher residential mortgage servicing rights (RMSR) hedging gains and loan sales revenue.

The decrease in other noninterest income in the quarterly and year-to-date comparisons was primarily attributable to negative valuation adjustments of private equity investments and the second quarter 2019 gain on the sale of the retirement recordkeeping business, partially offset by higher capital markets-related revenue, and higher net securities gains in the year-to-date comparison.

Noninterest Expense

Table 4: Noninterest Expense

	Three months ended June 30				Six months ended June 30			
			Change				Change	
Dollars in millions	2020	2019	$	%	2020	2019	$	%
Noninterest expense								
Personnel	$ 1,373	$ 1,365	$ 8	1 %	$ 2,742	$ 2,779	$ (37)	(1)%
Occupancy	199	212	(13)	(6)%	406	427	(21)	(5)%
Equipment	301	298	3	1 %	588	571	17	3 %
Marketing	47	83	(36)	(43)%	105	148	(43)	(29)%
Other	595	653	(58)	(9)%	1,217	1,264	(47)	(4)%
Total noninterest expense	$ 2,515	$ 2,611	$ (96)	(4)%	$ 5,058	$ 5,189	$ (131)	(3)%

The decrease in noninterest expense in the quarterly and year-to-date comparisons reflected lower business activity related to the economic impact of the pandemic, including lower marketing expense and costs associated with business travel. In the year-to-date comparison, personnel expense declined due to variable costs associated with decreased business activity, partially offset by higher equipment expense related to technology investments.

Effective Income Tax Rate

The effective income tax rate from continuing operations was17.5% in the second quarter of 2020 compared to 16.8% in the second quarter of 2019 and 165.2% in the first six months of 2019 compared to 16.6% in the same period in 2019.

Provision For Credit Losses

Table 5: Provision for Credit Losses

	Three months ended June 30		Six months ended June 30	
Dollars in millions	2020	2019	2020	2019
Provision for credit losses				
Loans and leases	$ 2,220	$ 180	$ 3,172	$ 369
Unfunded lending related commitments (a)	212		165	
Investment securities	30		30	
Other financial assets	1		10	
Total provision for credit losses	$ 2,463	$ 180	$ 3,377	$ 369

(a) For the three and six months ended June 30, 2019, the provision for unfunded lending related commitments was included in the provision for loans and leases.

The provision for credit losses increased $2.3 billion and $3.0 billion for the second quarter and first six months of 2020, respectively, compared with the same periods in 2019. The provision in the 2020 periods was calculated under the CECL accounting standard adopted January 1, 2020 and the increase in both the quarterly and year-to-date comparison reflects the change in methodology together with the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth.

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.

Net Income from Discontinued Operations

Table 6: Discontinued Operations

The following table summarizes net income from our investment in BlackRock, which is now reported as discontinued operations as a result of the divestiture.

	Three months ended June 30		Six months ended June 30	
Dollars in millions	2020	2019	2020	2019
Net income from discontinued operations	$ 4,399	$ 189	$ 4,555	$ 378

For additional details on the divestiture of our equity investment in BlackRock, see the Executive Summary within this Financial Review and Note 2 Discontinued Operations in the Notes To Consolidated Financial Statements of this Report.

Consolidated Balance Sheet Review

Table 7: Summarized Balance Sheet Data

	June 30	December 31	Change	
Dollars in millions	2020	2019	$	%
Assets				
Interest-earning deposits with banks	$ 50,233	$ 23,413	$ 26,820	115 %
Loans held for sale	1,443	1,083	360	33 %
Asset held for sale (a)		8,558	(8,558)	(100)%
Investment securities	98,493	86,824	11,669	13 %
Loans	258,236	239,843	18,393	8 %
Allowance for loan and lease losses (b)	(5,928)	(2,742)	(3,186)	(116)%
Mortgage servicing rights	1,067	1,644	(577)	(35)%
Goodwill	9,233	9,233	—	—
Other	46,201	42,439	3,762	9 %
Total assets	$ 458,978	$ 410,295	$ 48,683	12 %
Liabilities				
Deposits	$ 345,997	$ 288,540	$ 57,457	20 %
Borrowed funds	47,026	60,263	(13,237)	(22)%
Allowance for unfunded lending related commitments (b)	662	318	344	108 %
Other	12,345	11,831	514	4 %
Total liabilities	406,030	360,952	45,078	12 %
Equity				
Total shareholders' equity	52,923	49,314	3,609	7 %
Noncontrolling interests	25	29	(4)	(14)%
Total equity	52,948	49,343	3,605	7 %
Total liabilities and equity	$ 458,978	$ 410,295	$ 48,683	12 %

(a) Represents our held for sale investment in BlackRock. In the second quarter of 2020, PNC divested its entire investment in BlackRock. Prior period BlackRock investment balances have been reclassified to the Asset held for sale line in accordance with ASC 205-20, Presentation of Financial Statements - Discontinued Operations. Refer to Note 1 Accounting Policies and Note 2 Discontinued Operations for additional details.
(b) Amounts as of June 30, 2020 reflect the impact of adopting the CECL accounting standard and our transition from an incurred loss methodology for these reserves to an expected credit loss methodology. Prior period amounts represent ALLL under the incurred loss methodology. Refer to Note 1 Accounting Policies in this Report for additional detail on the adoption of this standard.

The summarized balance sheet data in Table 7 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, 2020 and December 31, 2019.
- Total assets increased as a result of higher interest-earning deposits with banks, primarily the Federal Reserve Bank, loan growth, and higher investment securities;
- Total liabilities increased primarily due to deposit growth reflecting pandemic-related accumulation of liquidity by customers partially offset by lower FHLB borrowings and federal funds purchased;
- Total equity increased as higher retained earnings driven by the gain on sale of our equity investment in BlackRock and higher accumulated other comprehensive income (AOCI) was partially offset by share repurchases, dividends on common and preferred stock, and the day-one effect of adopting the CECL accounting standard.

The ACL related to loans totaled $6.6 billion at June 30, 2020, an increase of $3.5 billion since December 31, 2019. The increase was attributable to the $.6 billion day-one CECL transition adjustment and a $3.3 billion provision for credit losses, partially offset by net charge-offs of $.4 billion. The provision reflects the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth. See the following for additional information related to our ACL related to loans:

- Allowance for Credit Losses in the Credit Risk Management section of this Financial Review, and
- Note 1 Accounting Policies and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report.

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 2019 Form 10-K.

Loans

Table 8: Loans

Dollars in millions	June 30 2020	December 31 2019	Change $	Change %
Commercial				
Commercial and industrial	$ 144,335	$ 125,337	$ 18,998	15 %
Commercial real estate	28,763	28,110	653	2 %
Equipment lease financing	7,097	7,155	(58)	(1)%
Total commercial	180,195	160,602	19,593	12 %
Consumer				
Home equity	24,879	25,085	(206)	(1)%
Residential real estate	22,469	21,821	648	3 %
Automobile	16,157	16,754	(597)	(4)%
Credit card	6,575	7,308	(733)	(10)%
Education	3,132	3,336	(204)	(6)%
Other consumer	4,829	4,937	(108)	(2)%
Total consumer	78,041	79,241	(1,200)	(2)%
Total loans	$ 258,236	$ 239,843	$ 18,393	8 %

Commercial loan growth reflected the impact of PPP lending under the CARES Act and higher utilization of loan commitments driven by the economic impact of the pandemic on customer liquidity preferences. PNC funded $13.7 billion of PPP loans during the second quarter of 2020, which benefited over 73,000 of our customers. At June 30, 2020, we had $12.8 billion of PPP loans in our commercial loan balance.

For commercial and industrial 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 of this Financial Review.

Consumer loans declined as new originations decreased due to the economic impact of the pandemic and lower customer spending. Residential mortgage loans increased as the low interest rate environment resulted in an increase in origination volumes primarily of nonconforming loans, which are loans that do not meet agency standards as a result of exceeding agency conforming loan limits.

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.

For additional information regarding our loan portfolio see Note 1 Accounting Policies and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report.

Investment Securities

Investment securities of $98.5 billion at June 30, 2020 increased $11.7 billion, or 13%, compared to December 31, 2019, due primarily to net purchases and an increase in the fair value of agency residential mortgage-backed and U.S. Treasury 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. During the first half of 2020, $16.2 billion of debt securities were transferred from held to maturity to available for sale, including $49 million in the second quarter of 2020 pursuant to elections made under recently adopted accounting standards. See further discussion in Note 1 Accounting Policies.

Table 9: Investment Securities

	June 30, 2020		December 31, 2019		Ratings (a) as of June 30, 2020				
Dollars in millions	Amortized Cost (b)	Fair Value	Amortized Cost	Fair Value	AAA/ AA	A	BBB	BB and Lower	No Rating
U.S. Treasury and government agencies	$ 20,040	$ 21,119	$ 16,926	$ 17,348	100%				
Agency residential mortgage-backed	55,630	57,480	50,266	50,984	100%				
Non-agency residential mortgage-backed	1,472	1,682	1,648	1,954	13%	1%	2%	47%	37%
Agency commercial mortgage-backed	3,002	3,140	3,153	3,178	100%				
Non-agency commercial mortgage-backed (c)	4,134	4,039	3,782	3,806	85%	1%	5%	1%	8%
Asset-backed (d)	5,312	5,368	5,096	5,166	91%	2%		6%	1%
Other (e)	5,512	5,839	4,580	4,771	67%	23%	8%		2%
Total investment securities (f)	$ 95,102	$ 98,667	$ 85,451	$ 87,207	96%	1%	1%	1%	1%

(a) Ratings percentages allocated based on amortized cost, net of allowance for securities.
(b) Amortized cost is presented net of applicable allowance for securities of $32 million at June 30, 2020 in accordance with the adoption of the CECL accounting standard. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies for additional detail on the adoption of this ASU.
(c) Collateralized primarily by retail properties, office buildings, lodging properties and multifamily housing.
(d) Collateralized primarily by corporate debt, government guaranteed education loans and other consumer credit products.
(e) Includes state and municipal securities.
(f) Includes available for sale and held to maturity securities, which are recorded on our balance sheet at fair value and amortized cost, respectively.

Table 9 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. 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. We continually monitor the credit risk in our portfolio and maintain the allowance for securities at an appropriate level to absorb expected credit losses on our investment securities portfolio for the remaining contractual term of the securities adjusted for expected prepayments. See Note 1 Accounting Policies and Note 3 Investment Securities in the Notes To Consolidated Financial Statements for additional details regarding the methodology for determining the allowance and the amount of the allowance for investment securities, respectively.

The duration of investment securities was 2 years at June 30, 2020. We estimate that at June 30, 2020 the effective duration of investment securities was 2.5 years for an immediate 50 basis points parallel increase in interest rates and 1.5 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 3.3 years at June 30, 2020 compared to 4.1 years at December 31, 2019.

Table 10: Weighted-Average Expected Maturities of Mortgage and Asset-Backed Debt Securities

June 30, 2020	Years
Agency residential mortgage-backed	3.0
Non-agency residential mortgage-backed	6.4
Agency commercial mortgage-backed	3.5
Non-agency commercial mortgage-backed	2.6
Asset-backed	2.1

Additional information regarding our investment securities is included in Note 3 Investment Securities and Note 12 Fair Value in the Notes To Consolidated Financial Statements included in this Report.

Funding Sources

Table 11: Details of Funding Sources

Dollars in millions	June 30 2020	December 31 2019	Change $	Change %
Deposits				
Noninterest-bearing	$ 99,458	$ 72,779	$ 26,679	37 %
Interest-bearing				
Money market	62,688	54,115	8,573	16 %
Demand	85,379	71,692	13,687	19 %
Savings	77,252	68,291	8,961	13 %
Time deposits	21,220	21,663	(443)	(2)%
Total interest-bearing deposits	246,539	215,761	30,778	14 %
Total deposits	345,997	288,540	57,457	20 %
Borrowed funds				
FHLB borrowings	8,500	16,341	(7,841)	(48)%
Bank notes and senior debt	27,704	29,010	(1,306)	(5)%
Subordinated debt	6,500	6,134	366	6 %
Other	4,322	8,778	(4,456)	(51)%
Total borrowed funds	47,026	60,263	(13,237)	(22)%
Total funding sources	$ 393,023	$ 348,803	$ 44,220	13 %

Growth in both interest-bearing and noninterest-bearing deposits reflected pandemic-related accumulation of liquidity by commercial and consumer customers, including from government stimulus payments and lower consumer spending. In addition, there was a shift from interest-bearing to noninterest-bearing deposits in the first six months of 2020 that reflected the impact of the current interest rate environment.

Borrowed funds decreased due to lower FHLB borrowings, federal funds purchased included in other borrowed funds and bank notes and senior debt, reflecting the use of liquidity from deposit growth and proceeds from the sale of our equity investment in BlackRock.
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 2020 liquidity and capital activities. See Note 8 Borrowed Funds in the Notes to Consolidated Financial Statements in Item 1 of this Report for additional information related to our borrowings.

Shareholders' Equity

Total shareholders' equity was $52.9 billion at June 30, 2020, an increase of $3.6 billion compared to December 31, 2019. The increase resulted from net income of $4.6 billion driven by the gain on sale of our equity investment in BlackRock and higher AOCI of $2.3 billion, partially offset by common share repurchases of $1.3 billion, common and preferred stock dividends of $1.1 billion, and a day-one transition adjustment of $.7 billion for the adoption of the CECL accounting standard.

PNC announced on March 16, 2020 a temporary suspension of its common stock repurchase program in conjunction with the Federal Reserve's effort to support the U.S. economy during the pandemic, and will continue the suspension through the third quarter of 2020, with the exception of share repurchases to offset the effects of employee benefit plan-related issuances as permitted by recent guidance from the Federal Reserve. The estimated amount of these repurchases in the third quarter of 2020 is $100 million, but the timing and amount of executed repurchases will be based on market conditions and other factors.

Business Segments Review

We have three reportable business segments:

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

Business segment results and a description of each business are included in Note 15 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 15, primarily due to the presentation in this Financial Review of business net interest income on a taxable-equivalent basis.

During the second quarter, we divested our entire 22.4% investment in BlackRock. See Note 2 Discontinued Operations in the Notes To Consolidated Financial Statements in this Report for additional information on the sale and details on our results and cash flows for the three and six months ended June 30, 2020 and 2019. Following the sale and donation, PNC and its affiliates only hold shares of BlackRock stock in a fiduciary capacity for clients of PNC and its affiliates.

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. The impact of these differences is reflected in the "Other" category as shown in Table 81 in Note 15 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, ACL for 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, 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.

See the Executive Summary of this Financial Review for our discussion of the impact of COVID-19 related developments on our business and operations, including COVID-19 relief efforts for our customers. We have granted loan modifications through extensions, deferrals, and forbearance to assist our customers in need during the pandemic. See Loan Modifications in the Troubled Debt Restructurings and Loan Modifications section of Credit Risk Management for details on our commercial and consumer loan modifications.

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.

Table 12: Retail Banking Table

(Unaudited) Six months ended June 30 Dollars in millions, except as noted	2020	2019	Change $	Change %
Income Statement				
Net interest income	$ 2,846	$ 2,725	$ 121	4 %
Noninterest income	1,373	1,252	121	10 %
Total revenue	4,219	3,977	242	6 %
Provision for credit losses	1,206	209	997	477 %
Noninterest expense	3,036	2,995	41	1 %
Pretax earnings	(23)	773	(796)	(103)%
Income taxes (benefit)	(1)	184	(185)	(101)%
Earnings	$ (22)	$ 589	$ (611)	(104)%
Average Balance Sheet				
Loans held for sale	$ 804	$ 498	$ 306	61 %
Loans				
Consumer				
Home equity	$ 22,763	$ 22,804	$ (41)	— %
Residential real estate	18,104	15,388	2,716	18 %
Automobile	16,892	14,917	1,975	13 %
Credit card	6,948	6,291	657	10 %
Education	3,281	3,740	(459)	(12)%
Other consumer	2,494	2,123	371	17 %
Total consumer	70,482	65,263	5,219	8 %
Commercial	12,068	10,471	1,597	15 %
Total loans	$ 82,550	$ 75,734	$ 6,816	9 %
Total assets	$ 99,583	$ 91,805	$ 7,778	8 %
Deposits				
Noninterest-bearing demand	$ 35,680	$ 30,956	$ 4,724	15 %
Interest-bearing demand	45,102	42,607	2,495	6 %
Money market	22,903	26,283	(3,380)	(13)%
Savings	65,364	54,596	10,768	20 %
Certificates of deposit	11,947	12,543	(596)	(5)%
Total deposits	$ 180,996	$ 166,985	$ 14,011	8 %
Performance Ratios				
Return on average assets	(.04)%	1.29%		
Noninterest income to total revenue	33 %	31%		
Efficiency	72 %	75%		

Six months ended June 30 Dollars in millions, except as noted	2020	2019	Change $	Change %
Supplemental Noninterest Income Information				
Consumer services	$ 687	$ 751	$ (64)	(9)%
Residential mortgage	$ 368	$ 147	$ 221	150 %
Service charges on deposits	$ 246	$ 326	$ (80)	(25)%
Residential Mortgage Information				
Residential mortgage servicing statistics (in billions, except as noted) (a)				
Serviced portfolio balance (b)	$ 122	$ 124	$ (2)	(2)%
Serviced portfolio acquisitions	$ 13	$ 6	$ 7	117 %
MSR asset value (b)	$ 0.6	$ 1.0	$ (.4)	(40)%
MSR capitalization value (in basis points) (b)	47	80	(33)	(41)%
Servicing income: (in millions)				
Servicing fees, net (c)	$ 80	$ 95	$ (15)	(16)%
Mortgage servicing rights valuation, net of economic hedge	$ 121	$ (2)	$ 123	*
Residential mortgage loan statistics				
Loan origination volume (in billions)	$ 7.4	$ 4.6	$ 2.8	61 %
Loan sale margin percentage	3.45%	2.28%		
Percentage of originations represented by:				
Purchase volume (d)	35%	55%		
Refinance volume	65%	45%		
Other Information (b)				
Customer-related statistics (average)				
Non-teller deposit transactions (e)	61%	56%		
Digital consumer customers (f)	72%	69%		
Credit-related statistics				
Nonperforming assets (g)	$ 1,037	$ 1,074	$ (37)	(3)%
Net charge-offs - loans and leases	$ 308	$ 252	$ 56	22 %
Other statistics				
ATMs	9,058	9,072	(14)	— %
Branches (h)	2,256	2,321	(65)	(3)%
Brokerage account client assets (in billions) (i)	$ 53	$ 52	$ 1	2 %

* - Not Meaningful
(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 payments, 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) Primarily nonperforming loans of $ 1.0 billion and $1.1 billion for June 30, 2020 and June 30, 2019, respectively.
(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 had a loss of $22 million in the first six months of 2020 compared with earnings of $589 million for the same period in 2019. The decrease in earnings was attributable to higher provision for credit losses and increased noninterest expense partially offset by higher noninterest income and net interest income.

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

Noninterest income increased largely due to growth in residential mortgage revenue attributable to higher results from residential mortgage servicing rights valuation, net of economic hedge, and increased loan sales revenue from higher origination volumes partially offset by service charges on deposits and consumer services fees reflecting lower transaction volumes, fees waived to assist customers in the pandemic and lower consumer spending. The increase in noninterest income was also driven by lower negative derivative fair value adjustments related to Visa Class B common shares of $24 million for the first six months of 2020 compared with the negative adjustments of $47 million for the same period in 2019.

Provision for credit losses increased in the first six months of 2020 compared to the same period in 2019 reflecting changes in methodology due to the adoption of the CECL accounting standard, together with the significantly adverse economic impact of the pandemic.

Higher noninterest expense primarily resulted from higher personnel, equipment and branch-related expenses, partially offset by lower advertising and marketing.

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 2020, average total deposits increased compared to the same period in 2019 primarily driven by savings deposits which increased due, in part, to a shift from money market deposits to relationship-based savings products as well as growth in demand deposits. Savings and demand deposits also benefited from the impact of government stimulus payments and lower consumer spending due to the pandemic.

Retail Banking average total loans increased in the first six months of 2020 compared with the same period in 2019.

- Average residential mortgages increased primarily as a result of growth in nonconforming residential mortgage loans and a robust refinance market driven by historically low interest rates.
- Average auto loans increased primarily due to strong new indirect auto loan volumes, including in our Southeast and expansion markets.
- Average commercial loans increased primarily due to PPP 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 unsecured installment loans increased primarily driven by growth in originations through digital channels.
- Average education loans decreased driven by a decline in the runoff portfolio of government guaranteed education loans.
- Average home equity loans decreased as paydowns and payoffs on loans exceeded new originated volume.

In 2018, we launched our national expansion strategy designed to grow customers with digitally-led banking and an ultra-thin branch network in markets outside of our existing retail branch network and began offering a digital high yield savings deposit product and opened our first solution center in Kansas City. Solution centers are an emerging branch operating model with a distinctive layout, where routine transactions are supported through a combination of technology and skilled banker assistance to create personalized experiences. The primary focus of the solution center is to bring a community element to our digital banking capabilities. The solution center provides a collaborative environment that connects our customers with our digital solutions and banking services, beyond deposits and withdrawals. Deposit products are led by a digital high yield savings account. Following the first solution center opening in 2018, four additional solution centers opened in 2019 with a second in Kansas City and three in the Dallas/Fort Worth market. We also offer digital unsecured installment and small business loans in the expansion markets. We continue to execute our national expansion strategy in 2020 including physical expansion into three new markets, Boston, Houston, and Nashville. The first solution centers in Houston and Nashville were opened successfully in July. The first solution center in Boston is on track to open later in the year.

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 also continued to execute on its strategy of transforming the customer experience through transaction channel migration, branch network and home lending process transformations and multi-channel engagement and service strategies. We are also continually assessing our current branch network for optimization opportunities as usage of alternative channels has increased.

- Approximately 72% of consumer customers used non-teller channels for the majority of their transactions in the first six months of 2020 compared with 69% for the same period in 2019.
- Deposit transactions via ATM and mobile channels increased to 61% of total deposit transactions in the first six months of 2020 from 56% for the same period in 2019.

Retail Banking continues to make progress on its multi-year initiative to redesign the home lending process, including integrating mortgage and home equity lending into a common platform. Technology enhancements supported increased residential mortgage origination volume. In addition, we enhanced the home equity origination process to make it easier and to reach additional customers by offering the product in new states. The improvements and expansion are planned to continue throughout 2020.

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 13: Corporate & Institutional Banking Table

(Unaudited) Six months ended June 30 Dollars in millions	2020	2019	Change $	Change %
Income Statement				
Net interest income	$ 2,030	$ 1,815	$ 215	12 %
Noninterest income	1,420	1,237	183	15 %
Total revenue	3,450	3,052	398	13 %
Provision for credit losses	2,043	171	1,872	1,095 %
Noninterest expense	1,395	1,384	11	1 %
Pretax earnings	12	1,497	(1,485)	(99)%
Income taxes	—	343	(343)	(100)%
Earnings	$ 12	$ 1,154	$ (1,142)	(99)%
Average Balance Sheet				
Loans held for sale	$ 550	$ 338	$ 212	63 %
Loans				
Commercial				
Commercial and industrial	$ 128,139	$ 111,186	$ 16,953	15 %
Commercial real estate	26,848	26,098	750	3 %
Equipment lease financing	7,051	7,274	(223)	(3)%
Total commercial	162,038	144,558	17,480	12 %
Consumer	9	18	(9)	(50)%
Total loans	$ 162,047	$ 144,576	$ 17,471	12 %
Total assets	$ 185,878	$ 160,551	$ 25,327	16 %
Deposits				
Noninterest-bearing demand	$ 46,904	$ 39,156	$ 7,748	20 %
Interest-bearing demand	24,388	18,267	$ 6,121	34 %
Money market	32,532	26,292	6,240	24 %
Other	8,706	5,830	2,876	49 %
Total deposits	$ 112,530	$ 89,545	$ 22,985	26 %
Performance Ratios				
Return on average assets	.01%	1.45%		
Noninterest income to total revenue	41%	41%		
Efficiency	40%	45%		
Other Information				
Consolidated revenue from: (a)				
Treasury Management (b)	$ 960	$ 912	$ 48	5 %
Capital Markets (b)	$ 732	$ 559	$ 173	31 %
Commercial mortgage banking activities:				
Commercial mortgage loans held for sale (c)	$ 71	$ 35	$ 36	103 %
Commercial mortgage loan servicing income (d)	136	119	17	14 %
Commercial mortgage servicing rights valuation, net of economic hedge (e)	42	16	26	163 %
Total	$ 249	$ 170	$ 79	46 %
Commercial mortgage servicing rights asset value (f)	$ 490	$ 630	$ (140)	(22)%
Average Loans by C&IB business				
Corporate Banking	$ 84,846	$ 72,736	$ 12,110	17 %
Real Estate	39,746	36,752	2,994	8 %
Business Credit	23,597	22,306	1,291	6 %
Commercial Banking	9,246	8,099	1,147	14 %
Other	4,612	4,683	(71)	(2)%
Total average loans	$ 162,047	$ 144,576	$ 17,471	12 %
Credit-related statistics				
Nonperforming assets (f) (g)	$ 674	$ 497	$ 177	36 %
Net charge-offs - loans and leases	$ 149	$ 28	$ 121	432 %

(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) Primarily nonperforming loans of $ .7 billion and $.5 billion at June 30, 2020 and June 30, 2019, respectively.

Corporate & Institutional Banking earned $12 million in the first six months of 2020 compared to $1.2 billion for the same period in 2019. Higher provision for credit losses was partially offset by higher revenue.

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

Growth in noninterest income in the comparison reflected broad-based increases including higher capital markets-related revenue and higher revenue from commercial mortgage banking activities.

Provision for credit losses increased in the first six months of 2020 compared to the same period in 2019 reflecting changes in methodology due to the adoption of the CECL accounting standard, together with the significantly adverse economic impact of the pandemic and its resulting effects on loan portfolio credit quality and loan growth.

The first six months of 2020 experienced an increase in nonperforming assets and net loan and lease charge-offs compared to the same period in 2019 primarily related to industries economically impacted by the pandemic and the energy industry.

Noninterest expense increased in the comparison largely due to investments in strategic initiatives, mostly offset by lower variable costs associated with decreased business activity related to the pandemic.

Average loans increased in the comparison across all businesses primarily due to increased utilization of loan commitments driven by the economic impact of the pandemic on customer liquidity preferences and the impact of PPP loan originations:

- 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 increased utilization and new production, including PPP loan originations.
- PNC Real Estate provides banking, financing and servicing solutions for commercial real estate clients across the country. Average loans for this business increased primarily driven by higher commercial mortgage and multifamily agency warehouse lending, partially offset by project loan payoffs.
- 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 primarily due to new originations, partially offset by lower utilization.
- Commercial Banking provides lending, treasury management and capital markets-related products and services to smaller corporations and businesses. Average loans for this business increased primarily driven by PPP loan originations.

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 reflecting customers maintaining liquidity due to the economic impact of the pandemic. We continue to actively monitor the interest rate environment and make adjustments in response to evolving market conditions, bank funding needs and client relationship dynamics.

Corporate & Institutional Banking continues to expand its Corporate Banking business, focused on the middle market and larger sectors. We are continuing to execute on our expansion plans into the Seattle and Portland markets in 2020. This follows offices opened in Boston and Phoenix in 2019, Denver, Houston and Nashville in 2018, and Dallas, Kansas City and Minneapolis in 2017. 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.

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 business 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 13 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 of2019, treasury management revenue increased primarily due to higher deposit balances, partially offset by narrower interest rate spreads on the value of deposits.

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. The increase in capital markets-related revenue in the comparison was broad-based across most products and services and included higher underwriting fees and fees on customer-related derivatives activities.

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 increased in the comparison due to higher revenue across all activities.

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 14: Asset Management Group Table

(Unaudited) Six months ended June 30 Dollars in millions, except as noted	2020	2019	Change $	Change %
Income Statement				
Net interest income	$ 177	$ 138	$ 39	28 %
Noninterest income	408	503	(95)	(19)%
Total revenue	585	641	(56)	(9)%
Provision for credit losses	42	(1)	43	*
Noninterest expense	436	479	(43)	(9)%
Pretax earnings	107	163	(56)	(34)%
Income taxes	25	38	(13)	(34)%
Earnings	$ 82	$ 125	$ (43)	(34)%
Average Balance Sheet				
Loans				
Consumer				
Residential real estate	$ 2,511	$ 1,758	$ 753	43 %
Other consumer	4,013	4,289	(276)	(6)%
Total consumer	6,524	6,047	477	8 %
Commercial	869	741	128	17 %
Total loans	$ 7,393	$ 6,788	$ 605	9 %
Total assets	$ 7,880	$ 7,204	$ 676	9 %
Deposits				
Noninterest-bearing demand	$ 1,445	$ 1,368	$ 77	6 %
Interest-bearing demand	7,296	2,983	4,313	145 %
Money market	1,653	1,910	(257)	(13)%
Savings	7,297	5,799	1,498	26 %
Other	785	747	38	5 %
Total deposits	$ 18,476	$ 12,807	$ 5,669	44 %
Performance Ratios				
Return on average assets	2.10%	3.50%		
Noninterest income to total revenue	70%	78%		
Efficiency	75%	75%		
Supplemental Noninterest Income Information				
Asset management fees	$ 400	$ 433	$ (33)	(8)%
Other Information				
Nonperforming assets (a) (b)	$ 38	$ 45	$ (7)	(16)%
Net charge-offs (recoveries) - loans and leases	$ (1)	$ 1	$ (2)	(200)%
Client Assets Under Administration (in billions) (a) (c)				
Discretionary client assets under management	$ 151	$ 162	$ (11)	(7)%
Nondiscretionary client assets under administration	138	132	6	5 %
Total	$ 289	$ 294	$ (5)	(2)%
Discretionary client assets under management				
Personal	$ 94	$ 99	$ (5)	(5)%
Institutional	57	63	(6)	(10)%
Total	$ 151	$ 162	$ (11)	(7)%

* - Not meaningful
(a) As of June 30.
(b) Primarily nonperforming loans of $ 38 million at June 30, 2020 and $45 million at June 30, 2019.
(c) Excludes brokerage account client assets.

Asset Management Group earned $82 million in the first six months of 2020 compared with earnings of $125 million for the same period in 2019. Earnings decreased due to lower revenue and higher provision for credit losses, partially offset by lower noninterest expense.

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

Noninterest income decreased due to lower asset management fees resulting from the impact of 2019 divestiture activities and the 2019 gain on the sale of the retirement recordkeeping business.

Noninterest expense decreased in the comparison and was primarily attributable to the impact of the 2019 divestitures.

Provision for credit losses increased reflecting changes in methodology due to the adoption of the CECL accounting standard, together with the significantly adverse economic impact of the pandemic.

Asset Management Group's discretionary client assets under management decreased in comparison to the prior year primarily attributable to the sale of components of the PNC Capital Advisors investment management business.

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 six 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, 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.

RISK MANAGEMENT

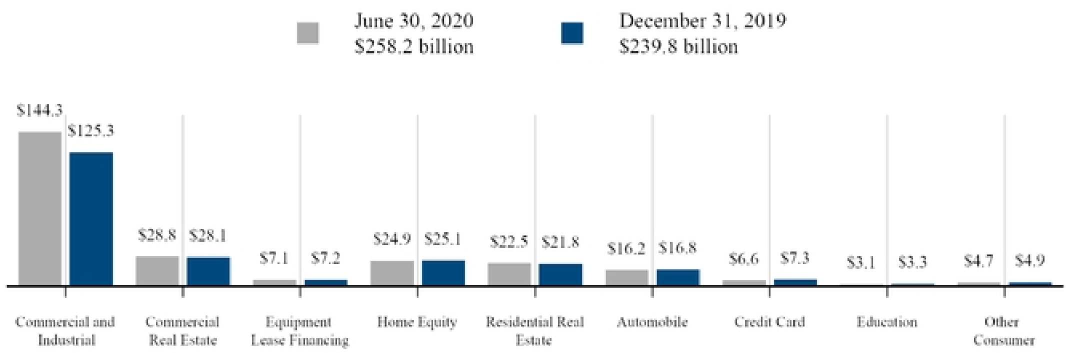
The Risk Management section included in Item 7 of our 2019 Form 10-K describes our enterprise risk management framework including risk culture, enterprise strategy, risk governance and framework, risk identification, risk assessment, risk controls and monitoring, and risk aggregation and reporting. Additionally, our 2019 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, compliance and information security.

Credit Risk Management

Credit risk represents the possibility that a customer, counterparty or issuer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks. Our processes for managing credit risk are embedded in our risk culture and in our decision-making processes using a systematic approach whereby credit risks and related exposures are identified and assessed, managed through specific policies and processes, measured and evaluated against our risk appetite and credit concentration limits, and reported, along with specific mitigation activities, to management and the Board of Directors through our governance structure. Our most significant concentration of credit risk is in our loan portfolio.

Loan Portfolio Characteristics and Analysis

Table 15: Details of Loans
In billions



We use several credit quality indicators, as further detailed in Note4 Loans and Related Allowance for Credit Lossesin the Notes To Consolidated Financial Statements in this Report, 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 and Industrial
Commercial and industrial loans comprised56% and 52% of our total loan portfolio atJune 30, 2020 and December 31, 2019, respectively. The majority of our commercial and industrial 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 and industrial 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 commercial and industrial portfolio is well-diversified as shown in the following table which provides a breakout by industry classification (classified based on the North American Industry Classification System (NAICS)).

Table 16: Commercial and Industrial Loans by Industry

	June 30, 2020		December 31, 2019	
Dollars in millions	Amount	% of Total	Amount	% of Total
Commercial and industrial				
Manufacturing	$ 25,590	18%	$ 21,540	17%
Retail/wholesale trade	21,747	15	21,565	17
Service providers	21,347	15	16,112	13
Real estate related (a)	14,634	10	12,346	10
Financial services	13,596	9	11,318	9
Health care	10,109	7	8,035	6
Transportation and warehousing	7,771	5	7,474	6
Other industries	29,541	21	26,947	22
Total commercial and industrial loans	$ 144,335	100%	$ 125,337	100%

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

Commercial and industrial loan increases at June 30, 2020 were driven by loan growth, including the impact of PPP lending under the CARES Act and higher utilization of loan commitments driven by the economic impact of the pandemic on customer liquidity preferences. See the Commercial High Impact Industries discussion within this Credit Risk Management for additional discussion of the impact of COVID-19 on our commercial portfolio and how we are evaluating and monitoring the portfolio for elevated levels of credit risk.

Commercial Real Estate

Commercial real estate loans comprised $17.5 billion related to commercial mortgages, $6.4 billion of real estate project loans and $4.9 billion of intermediate term financing loans as of June 30, 2020. Comparable amounts were $17.0 billion, $5.6 billion and $5.5 billion, respectively, as of December 31, 2019.

We monitor credit risk associated with our commercial real estate loans similar to commercial and industrial 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 geography and property type.

Table 17: Commercial Real Estate Loans by Geography and Property Type

	June 30, 2020		December 31, 2019	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography (a)				
California	$ 4,524	16%	$ 4,393	16%
Florida	2,863	10	2,557	9
Texas	1,847	6	1,717	6
Maryland	1,771	6	1,889	7
Virginia	1,577	5	1,547	6
Pennsylvania	1,351	5	1,310	4
Ohio	1,280	4	1,307	4
New Jersey	1,209	4	1,106	4
Illinois	999	4	1,001	4
North Carolina	961	3	1,015	4
Other	10,381	37	10,268	36
Total commercial real estate loans	$ 28,763	100%	$ 28,110	100%
Property Type				
Multifamily	$ 9,326	32%	$ 9,003	32%
Office	7,785	27	7,641	27
Retail	3,615	13	3,702	13
Industrial/Warehouse	2,069	7	2,003	7
Hotel/Motel	1,923	7	1,813	7
Senior Housing	1,309	5	1,123	4
Mixed Use	905	3	943	3
Other	1,831	6	1,882	7
Total commercial real estate loans	$ 28,763	100%	$ 28,110	100%

(a) Presented in descending order based on loan balances at June 30, 2020.

Commercial High Impact Industries

In light of the current economic circumstances related to COVID-19, we are evaluating and monitoring our entire commercial portfolio for elevated levels of credit risk; however, we believe the industry sectors most likely to be impacted by the effects of the pandemic are:

- Non-real estate related
  - Leisure recreation: restaurants, casinos, hotels, convention centers
  - Non-essential retail: retail excluding auto, gas, staples
  - Healthcare facilities: elective, private practices
  - Consumer services: religious organizations, childcare
  - Leisure travel: cruise, airlines, other travel/transportation
  - Other impacted areas: shipping, senior living, specialty education

- Real estate related
    - Non-essential retail and restaurants: malls, lifestyle centers, outlets, restaurants
    - Hotel: full service, limited service, extended stay
    - Senior housing: assisted living, independent living

As of June 30, 2020, our outstanding loan balances in these industries totaled $19.6 billion, or approximately 8% of our total loan portfolio, while additional unfunded loan commitments totaled $9.2 billion. We continue to carefully monitor and manage these loans, and while we have not yet experienced material charge-offs in these industries, we expect to see charge-offs increase over time if the current economic trends continue.

In our non-real estate related category we have $11.5 billion in loans outstanding, $2.0 billion of which are funded through the PPP and guaranteed by the Small Business Administration (SBA) under the CARES Act. Nonperforming loans in these industries totaled $.1 billion, or .9% of total loans outstanding in the non-real estate related category, while criticized assets totaled $1.0 billion at June 30, 2020 with the greatest stress seen in the leisure recreation and leisure travel sectors.

Within the commercial real estate related category, we have $8.1 billion in loans outstanding which includes real estate projects of $4.8 billion. Nonperforming loans in this category totaled $.1 billion at June 30, 2020, or 1.2% of total loans outstanding in the commercial real estate related category, driven primarily by one real estate investment trust related loan. In this category, we continue to see substantial stress in the non-essential retail and hotel segments.

Oil and Gas Loan Portfolio
We are also monitoring our oil and gas portfolio closely for elevated levels of credit risk given the continued pressures on the energy industry. As of June 30, 2020, our outstanding loans in the oil and gas sector totaled $4.1 billion or 1.6% of total loans, which includes $.1 billion funded through the PPP and guaranteed by the SBA under the CARES Act. This portfolio comprised approximately $1.9 billion in the midstream and downstream sectors, $1.1 billion of oil services companies and $1.1 billion related to exploration and production companies. Of the oil services category, approximately $.2 billion is not asset-based or investment grade. Nonperforming loans in the oil and gas sector as of June 30, 2020 totaled $.2 billion, or 4.9% of total loans outstanding in this sector. Additional unfunded loan commitments in the oil and gas portfolio totaled $6.9 billion at June 30, 2020.

Consumer

Home Equity
Home equity loans comprised $13.3 billion of primarily variable-rate home equity lines of credit and $11.6 billion of closed-end home equity installment loans at June 30, 2020. Comparable amounts were $13.9 billion and $11.2 billion, respectively, as of December 31, 2019.

We track borrower performance monthly, including obtaining original LTVs, 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 credit quality of newly originated loans over the last twelve months was strong overall with a weighted-average LTV on originations of 68% 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 determined at the time of origination and monitored on an ongoing basis for risk management purposes. We use an industry-leading third-party service provider to obtain updated loan information, including lien and collateral data that is aggregated from public and private sources.

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

Table 18: Home Equity Loans by Geography and by Lien Type

	June 30, 2020		December 31, 2019	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography (a)				
Pennsylvania	$ 5,750	23%	$ 5,812	23%
New Jersey	3,648	15	3,728	15
Ohio	2,845	11	2,899	12
Illinois	1,497	6	1,544	6
Florida	1,497	6	1,340	5
Michigan	1,408	6	1,371	5
Maryland	1,399	6	1,420	6
North Carolina	1,083	4	1,092	4
Kentucky	970	4	990	4
Virginia	827	3	810	3
Other	3,955	16	4,079	17
Total home equity loans	$ 24,879	100%	$ 25,085	100%
Lien type				
1st lien		61%		59%
2nd lien		39		41
Total		100%		100%

(a) Presented in descending order based on loan balances at June 30, 2020.

Residential Real Estate

Residential real estate loans primarily consisted of residential mortgage loans at both June 30, 2020 and December 31, 2019.

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 69% and a weighted-average FICO score of 771.

The following table presents our residential real estate loans by geography.

Table 19: Residential Real Estate Loans by Geography

	June 30, 2020		December 31, 2019	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography (a)				
California	$ 7,618	34%	$ 6,800	31%
New Jersey	1,786	8	1,779	8
Florida	1,567	7	1,580	7
Pennsylvania	1,096	5	1,113	5
Illinois	1,068	5	1,118	5
New York	990	4	1,008	5
Washington	923	4	646	3
Virginia	908	4	868	4
Maryland	895	4	923	4
North Carolina	848	4	877	4
Other	4,770	21	5,109	24
Total residential real estate loans	$ 22,469	100%	$ 21,821	100%

(a) Presented in descending order based on loan balances at June 30, 2020.

We originate residential mortgage loans nationwide through our national mortgage business as well as within our branch network. Residential mortgage loans underwritten to 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 agency standards, which we retain on our balance sheet. The originated nonconforming residential mortgage portfolio had strong credit quality at June 30, 2020 with an average original LTV of 69% and an average original FICO score of 773. Our portfolio of originated nonconforming residential mortgage loans totaled $17.4 billion at June 30, 2020 with 40% located in California.

Automobile

Within auto loans, $14.5 billion resided in the indirect auto portfolio while $1.7 billion were in the direct auto portfolio as of June 30, 2020. Comparable amounts as of December 31, 2019 were $15.1 billion and $1.7 billion, respectively. The indirect auto portfolio pertains to loans originated through franchised dealers, including from expansion into new markets. 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 765 for indirect auto loans and 769 for direct auto loans. The weighted-average term of loan originations over the last twelve months was 73 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 June 30, 2020, the portfolio was composed of 56% new vehicle loans and 44% used vehicle loans. Comparable amounts at December 31, 2019 were 55% and 45%, respectively.

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 and loans accounted for under the fair value option are excluded from nonperforming loans. Amounts as of December 31, 2019 also excluded purchased impaired loans as we were accreting interest income over the expected life of the loans. In connection with the adoption of the CECL standard, nonperforming loans as of June 30, 2020 include purchased credit deteriorated (PCD) loans which meet the criteria to be classified as nonperforming. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in this Report for details on our nonaccrual policies and additional information related to the adoption of the CECL standard, including the discontinuation of purchased impaired loan accounting.

The following table presents a summary of nonperforming assets by major category.

Table 20: Nonperforming Assets by Type

			Change	
Dollars in millions	June 30, 2020	December 31, 2019	$	%
Nonperforming loans				
Commercial	$ 758	$ 501	$ 257	51 %
Consumer (a)	1,118	1,134	(16)	(1)%
Total nonperforming loans	1,876	1,635	241	15 %
OREO and foreclosed assets	79	117	(38)	(32)%
Total nonperforming assets	$ 1,955	$ 1,752	$ 203	12 %
TDRs included in nonperforming loans	$ 860	$ 843	$ 17	2 %
Percentage of total nonperforming loans	46 %	52 %		
Nonperforming loans to total loans	.73 %	.68 %		
Nonperforming assets to total loans, OREO and foreclosed assets	.76 %	.73 %		
Nonperforming assets to total assets	.43 %	.43 %		
Allowance for loan and lease losses to nonperforming loans (b)	316 %	168 %		

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Ratio at June 30, 2020 reflects the changes in ALLL methodology due to the adoption of the CECL accounting standard on January 1, 2020, along with increases in reserves during 2020 due to the significantly adverse economic impact of the pandemic, and its resulting effects on loan portfolio credit quality and loan growth.

The increase in nonperforming assets at June 30, 2020 was primarily attributable to higher nonperforming commercial loans in industries economically impacted by the pandemic and the energy industry, partially offset by the decline in OREO and foreclosed assets due to asset sales and the suspension of pandemic-related foreclosures. See the discussions of Commercial High Impact Industries and the Oil and Gas Loan Portfolio within this Credit Risk Management section for further detail on these industries.

The following table provides details on the change in nonperforming assets for the six months ended June 30, 2020 and 2019.

Table 21: Change in Nonperforming Assets

In millions	2020	2019
January 1	$ 1,752	$ 1,808
New nonperforming assets	849	695
Charge-offs and valuation adjustments	(249)	(334)
Principal activity, including paydowns and payoffs	(243)	(193)
Asset sales and transfers to loans held for sale	(48)	(40)
Returned to performing status	(106)	(86)
June 30	$ 1,955	$ 1,850

As of June 30, 2020, approximately 81% of total nonperforming loans were secured by collateral which lessened reserve requirements and is expected to reduce credit losses. As of June 30, 2020, commercial nonperforming loans were carried at approximately 78% of their unpaid principal balance, due to charge-offs recorded to date, before consideration of the ALLL.

Within consumer nonperforming loans, residential real estate TDRs comprised 77% and 79% of total residential real estate nonperforming loans at June 30, 2020 and December 31, 2019, respectively, while home equity TDRs comprised 45% and 49% of home equity nonperforming loans at June 30, 2020 and December 31, 2019, respectively. 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. Loans that have been restructured for COVID-19 related hardships and meet certain criteria under the CARES Act are not identified as TDRs. Refer to the Troubled Debt Restructurings and Loan Modifications discussion in this Credit Risk Management section for more information on the treatment of loan modifications under the CARES Act.

At June 30, 2020, our largest nonperforming asset was $99 million in the Real Estate and Rental and Leasing industry and the ten largest individual nonperforming assets represented 18% of total nonperforming assets.

Loan Delinquencies
We regularly monitor the level of loan delinquencies and believe these levels may be a key indicator of credit quality in our loan portfolio. 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 include government insured or guaranteed loans, loans accounted for under the fair value option and at June 30, 2020 also include PCD loans. Amounts exclude loans held for sale, while amounts as of December 31, 2019 also excluded purchased impaired loans.

Pursuant to the interagency guidance issued in April 2020 and in connection with the credit reporting rules from the CARES Act, the delinquency status of loans modified due to COVID-19 related hardships are being reported as of June 30, 2020 in alignment with the rules set forth for banks to report delinquency status to the credit agencies. These rules require that COVID-19 related loan modifications be reported as follows: (i) if current at the time of modification, the loan remains current throughout the modification period, (ii) if delinquent at the time of modification and the borrower was not made current as part of the modification, the loan maintains its reported as delinquent status during the modification period, or (iii) if delinquent at the time of modification and the borrower was made current as part of the modification or became current during the modification period, the loan is reported as current. As a result, certain loans modified due to COVID-19 related hardships are not being reported as past due as of June 30, 2020 based on the contractual terms of the loan, even where borrowers may not be making payments on their loans during the modification period. See Recent Regulatory Developments in Item 2 of our first quarter 2020 Form 10-Q for more information on the CARES Act and the related interagency guidance.

Table 22: Accruing Loans Past Due (a)

	Amount				% of Total Loans Outstanding	
			Change			
Dollars in millions	June 30 2020	December 31 2019	$	%	June 30 2020	December 31 2019
Early stage loan delinquencies						
Accruing loans past due 30 to 59 days	$ 590	$ 661	$ (71)	(11)%	.23%	.28%
Accruing loans past due 60 to 89 days	264	258	6	2 %	.10%	.11%
Total early stage loan delinquencies	854	919	(65)	(7)%	.33%	.38%
Late stage loan delinquencies						
Accruing loans past due 90 days or more	456	585	(129)	(22)%	.18%	.24%
Total accruing loans past due	$ 1,310	$ 1,504	$ (194)	(13)%	.51%	.63%

(a) Past due loan amounts include government insured or guaranteed loans of $.5 billion at June 30, 2020 and $.6 billion at December 31, 2019.

Accruing loans past due 90 days or more continue to accrue interest because they are (i) well secured by collateral and are in the process of collection, (ii) managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines, or (iii) certain government insured or guaranteed loans. As such, they are excluded from nonperforming 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). Loans to borrowers experiencing COVID-19 related hardships that meet certain criteria under the CARES Act are not categorized as TDRs.

Table 23: Summary of Troubled Debt Restructurings (a)

			Change	
Dollars in millions	June 30 2020	December 31 2019	$	%
Commercial	$ 404	$ 361	$ 43	12 %
Consumer	1,181	1,303	(122)	(9)%
Total TDRs	$ 1,585	$ 1,664	$ (79)	(5)%
Nonperforming	$ 860	$ 843	$ 17	2 %
Accruing (b)	725	821	(96)	(12)%
Total TDRs	$ 1,585	$ 1,664	$ (79)	(5)%

(a) Amounts in table do not include associated valuation allowances.
(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.

Nonperforming TDRs represented approximately 46% and 52% of total nonperforming loans at June 30, 2020 and December 31, 2019, respectively, and 54% and 51% of total TDRs at June 30, 2020 and December 31, 2019, 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 1 Accounting Policies and 4 Loans and Related Allowance for Credit Losses in the Notes to Consolidated Financial Statements in this Report for additional information on TDRs. For additional information on the CARES Act, see the Recent Regulatory Developments section in Item 2 of our first quarter 2020 Form 10-Q.

Loan Modifications

PNC is working to provide relief and flexibility to our customers, many of whom are suffering hardships as a result of COVID-19 and the resulting economic downturn, through a variety of solutions, including granting loan and lease modifications. We continue to monitor the success rates and delinquency status of our loan and lease modification programs to assess their effectiveness in serving our borrowers' and servicing customers' needs while mitigating credit losses.

Due to the passage of the CARES Act, loan modifications meeting certain criteria qualify the loan for relief from TDR treatment. These criteria include (i) the loan modification results from a COVID-19 related hardship, (ii) the borrower is no more than 30 days past due as of December 31, 2019, and (iii) the loan modification does not result in a permanent reduction of interest or principal. Loans that do not meet the criteria for TDR relief under the CARES Act may be evaluated under interagency guidance, which allows banks to not designate certain short-term modifications as TDRs for borrowers with COVID-19 hardships who were current on their payments prior to the modification. Loans that are permanently modified or receive longer term modifications under programs involving a change to loan terms due to customer financial difficulty and PNC concessions are evaluated for TDR accounting.

Refer to the Loan Delinquencies discussion in this Credit Risk Management section for information on how these hardship related loan modification are reported from a delinquency perspective as of June 30, 2020. For additional information on the CARES Act and interagency guidance, see the Recent Regulatory Developments section in Item 2 of our first quarter 2020 Form 10-Q.

The impact of modifications made through one of the hardship programs was considered within the modified loans' quarterly reserve determination. See the Allowance for Credit Losses discussion within this Credit Risk Management for additional information.

Commercial Loan and Lease Modifications Under COVID-19 Hardship Relief Programs

PNC is granting temporary loan and lease modifications to our commercial clients in the form of principal and/or interest deferrals, covenant waivers and other types of modifications including term extensions. Initial principal and/or interest deferrals are being offered with terms typically up to 90 days, and we are analyzing and making decisions on these modifications based on each individual borrower's situation. Modifications made in the form of covenant waivers include modifying financial covenants, waiving covenants currently in default, amending reporting requirements and waiving the receipt of required reporting.

The following table presents a summary as of June 30, 2020 of the principal and/or interest deferral modifications PNC has granted due to COVID-19 related hardships in the commercial portfolio. As of June 30, 2020, the unpaid principal balance on these modifications represented approximately 4% of the total commercial loan portfolio. In some cases, individual loans have been modified more than once. Regardless of the number of modifications granted on a loan, each loan is counted only once in Table 24.

Table 24: Unpaid Principal Balance of Commercial Loans with a COVID-19 Related Principal/Interest Deferral Modification(a)

As of June 30, 2020 - Dollars in millions	Number of Accounts	Unpaid Principal Balance
Commercial		
Commercial and industrial	12,534	$ 4,939
Commercial real estate	407	1,544
Equipment lease financing	2,774	285
Total commercial	15,715	$ 6,768

(a) Amounts include loan modifications that qualify for TDR accounting totaling $40 million.

Consumer Loan Modifications Under Hardship Relief Programs

We are also granting temporary loan and line modifications for our consumer loan customers through extensions, deferrals, partial payments and forbearance. The consumer loan modifications are inclusive of all hardship related modifications granted in 2020. In addition, we have temporarily halted the majority of consumer real estate related foreclosures, while we continue to monitor the situation.

Our consumer loan modification programs are in response to current customer hardships and the primary offerings by loan class in the reported period are described in the following matrix.

Modification Type	Home Equity	Residential Real Estate	Automobile	Credit Card	Education	Other Consumer
Extensions - Defers current payments and moves them to the end of the loan by extending the loan's maturity or the extension re-amortizes the remaining principal balance.	□		□		□	□
Forbearance - Payment is deferred and moved to the end of the forbearance period. Balance is due at the end of the forbearance period, but payment options may be available to repay the forborne amount, including for many borrowers an option to delay payment until the payoff or maturity of the loan.		□				
Minimum payment suspension - Reduces required minimum payment to $0 for a period of time.				□		
New loan terms - Sets loan terms to a new monthly payment of principal and interest based on customer's financial situation.	□	□				
Reduced payments - Allows the customer to make a lower payment for a period of time, with any deferred balance being moved to the end of the loan term or extending the loan's maturity.	□		□			□
Repayment plan - Allows reduced payment and interest rate for a period of time.				□		

Interest continues to accrue during the forbearance, extension or deferral period of the loan modification unless it was designated as a nonperforming TDR or on nonaccrual at the date of modification. The method of collection of the accrued interest is dependent on the product type and modification offered.

The following table presents a summary as of June 30, 2020 of the hardship related loan modifications PNC has granted in our consumer loan portfolio during 2020. As of June 30, 2020, the unpaid principal balance on these modifications represented approximately 8% of the total consumer loan portfolio. In some cases, there have been multiple modifications of individual loans. Regardless of the number of modifications granted on a loan, each loan is counted only once in Table 25.

Table 25: Unpaid Principal Balance of Consumer Loan Modifications Under Hardship Relief Programs (a)

As of June 30, 2020 - Dollars in millions	Number of Accounts	Unpaid Principal Balance
Consumer		
Home equity	14,245	$ 1,403
Residential real estate (b)	5,619	1,620
Automobile	83,933	2,044
Credit card	39,235	266
Education (b)	84,615	579
Other consumer	14,671	204
Total consumer loan modifications	242,318	$ 6,116

(a) Amounts include loan modifications that qualify for TDR accounting totaling $348 million.
(b) Includes government insured or guaranteed loans totaling $208 million and $433 million in the Residential real estate and Education loan classes, respectively.

The initial consumer loan modifications granted in response to the COVID-19 outbreak and the surrounding economic circumstances were short-term and temporary in nature and generally meet the qualifications for relief from TDR treatment under the CARES Act. However, in response to customers' hardships that have extended beyond the initial relief period, PNC continues to offer options to customers which include both temporary and permanent modifications that may reduce the payment, the interest rate or extend the term and/or defer principal and interest payments. Permanent modifications would not meet the qualifications for relief from TDR treatment under the CARES Act.

Allowance for Credit Losses

On January 1, 2020 we adopted the CECL standard which replaced the incurred loss methodology for our credit related reserves with an expected credit loss methodology for the remaining estimated contractual term of in-scope assets and off-balance sheet exposures. Our ACL is based on historical loss experience, borrower characteristics, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors. We maintain the ACL at an appropriate level for expected losses on our existing investment securities, loans, finance leases, trade receivables and other financial assets and off-balance sheet credit exposures and determine this allowance based on quarterly assessments of the remaining estimated contractual term of the assets or exposures as of the balance sheet date.

Expected losses are estimated using a combination of (i) the expected losses over a reasonable and supportable forecast period (RSFP), (ii) a period of reversion to long run average expected losses (reversion period) where applicable, and (iii) long run average (LRA) expected losses for the remaining estimated contractual term.

We use forward-looking information in estimating expected credit losses for the RSFP. For this purpose, we have established a framework which includes a three year reasonable and supportable forecast period and the use of four economic scenarios and associated probability weights, which in combination create a forecast of expected economic outcomes over our RSFP of three years. Forward looking information, such as forecasted relevant macroeconomic variables, is incorporated into the expected credit loss estimates using quantitative techniques, as well as through analysis from PNC's economists and management’s judgment in qualitatively assessing the ACL.

The reversion period is used to bridge RSFP and LRA expected credit losses. We may consider a number of factors in determining the duration of the reversion period, such as contractual maturity of the asset, observed historical patterns and the estimated credit loss rates at the end of RSFP relative to the beginning of the LRA period.

The LRA expected credit losses are derived from our available historical credit information. We use LRA expected loss for the portfolio for the estimated remaining contractual term beyond the RSFP and reversion period.

The following discussion provides additional information related to our reserves under CECL for loans and leases as well as unfunded lending related commitments. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in this Report for further discussion on our ACL, including details of our methodologies and discussion of the allowances for investment securities and other financial assets. See also the Critical Accounting Estimates and Judgments section of this Financial Review for further discussion of the assumptions used in the determination of the ACL and the predicted impacts on the ACL of deteriorating economic conditions as a result of COVID-19.

Allowance for Loan and Lease Losses

Our pooled expected loss methodology is based upon the quantification of PD, LGD, exposure at default (EAD) and the remaining estimated contractual term for a loan or loan segment. We also consider the impact of prepayments and amortization on contractual maturity in our expected loss estimates. We use historical data, current borrower characteristics and forecasted economic variables in quantitative methods, including statistical models, to estimate these risk parameters by credit risk characteristics. PDs represent a quantification of risk that a borrower may not be able to pay their contractual obligation over a defined period of time. LGD describes the estimate of potential loss if a borrower were to default, and EAD (or utilization rates for revolving loans) is the estimated balance outstanding at the time of default and loss. These parameters are calculated for each forecasted scenario, and are combined to generate expected loss estimates by scenario in proportion to the scenario weights.

We use a discounted cash flow methodology for our consumer real estate related loan classes and for certain commercial and consumer TDR loans. For non-TDR residential real estate loans and lines, we determine effective interest rates considering contractual cash flows adjusted for prepayments and market interest rates. We then determine the net present value of expected cash flows and ALLL by discounting contractual cash flows adjusted for both prepayments and expected credit losses using the effective interest rates.

We establish individually assessed reserves for loans and leases that do not share similar risk characteristics with a pool of loans using methods prescribed by GAAP. Reserves for individual commercial nonperforming loans and commercial TDRs exceeding a defined dollar threshold are based on an analysis of the present value of the loan’s expected future cash flows or the fair value of the collateral, if appropriate under our policy for collateral dependent loans. Commercial loans that are below the defined threshold and accruing TDRs are collectively reserved for, as we believe these loans continue to share similar risk characteristics. For consumer nonperforming loans classified as collateral dependent, charge-off and ALLL related to recovery of amounts previously charged-off are evaluated through an analysis of the fair value of the collateral less costs to sell.

While our reserve methodologies strive to reflect all relevant credit risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between expected and actual outcomes. We may hold additional reserves that are designed to provide coverage for losses attributable to such risks. A portion of the allowance 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, including regulatory and legal requirements,
- Changes in the nature and volume of our portfolio,
- Recent credit quality trends, including the impact of COVID-19 hardship related loan modifications,
- Recent loss experience in particular portfolios, including specific and unique events,
- Recent macro-economic factors that may not be reflected in the forecast information,
- Limitations of available data, including historical loss information and recent data such as collateral values,
- Model imprecision,
- Changes in lending policies and procedures, including changes in loss recognition and mitigation policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Other relevant factors.

Allowance for Unfunded Lending Related Commitments

We maintain the allowance for unfunded lending related commitments on off-balance sheet credit exposures that are not unconditionally cancelable, (*e.g.,* unfunded loan commitments, letters of credit and certain financial guarantees) at a level we believe is appropriate as of the balance sheet date to absorb expected credit losses on these exposures. Other than the estimation of the probability of funding, this reserve is estimated in a manner similar to the methodology used for determining reserves for loans and leases. The allowance for unfunded lending related commitments is recorded as a liability on the Consolidated Balance Sheet. Net adjustments to this reserve are included in the provision for credit losses.

Table 26: Allowance for Credit Losses by Loan Class(a)

	June 30, 2020			December 31, 2019		
Dollars in millions	Allowance Amount	Total Loans	% of Total Loans	Allowance Amount	Total Loans	% of Total Loans
Allowance for loans and lease losses						
Commercial						
Commercial and industrial	$ 2,834	$ 144,335	1.96%	$ 1,489	$ 125,337	1.19%
Commercial real estate	382	28,763	1.33%	278	28,110	.99%
Equipment lease financing	164	7,097	2.31%	45	7,155	.63%
Total commercial	3,380	180,195	1.88%	1,812	160,602	1.13%
Consumer						
Home equity	382	24,879	1.54%	87	25,085	.35%
Residential real estate	50	22,469	.22%	258	21,821	1.18%
Automobile	450	16,157	2.79%	160	16,754	.95%
Credit card	1,010	6,575	15.36%	288	7,308	3.94%
Education	151	3,132	4.82%	17	3,336	.51%
Other consumer	505	4,829	10.46%	120	4,937	2.43%
Total consumer	2,548	78,041	3.26%	930	79,241	1.17%
Total	5,928	$ 258,236	2.30%	2,742	$ 239,843	1.14%
Allowance for unfunded lending related commitments	662			318		
Allowance for credit losses	$ 6,590			$ 3,060		
Allowance for credit losses to total loans			2.55%			1.28%
Commercial			2.18%			1.33%
Consumer			3.41%			1.18%

(a) Excludes allowances for investment securities and other financial assets.

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

Table 27: Loan Charge-Offs and Recoveries

Six months ended June 30 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	% of Average Loans (Annualized)
2020				
Commercial				
Commercial and industrial	$ 190	$ 31	$ 159	.23 %
Commercial real estate	—	4	(4)	(.03)%
Equipment lease financing	15	4	11	.31 %
Total commercial	205	39	166	.19 %
Consumer				
Home equity	19	29	(10)	(.08)%
Residential real estate	2	8	(6)	(.05)%
Automobile	153	64	89	1.06 %
Credit card	154	17	137	3.96 %
Education	10	4	6	.37 %
Other consumer	75	9	66	2.69 %
Total consumer	413	131	282	.72 %
Total	$ 618	$ 170	$ 448	.35 %
2019				
Commercial				
Commercial and industrial	$ 75	$ 31	$ 44	.07 %
Commercial real estate	5	5	—	—
Equipment lease financing	4	4	—	—
Total commercial	84	40	44	.06 %
Consumer				
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 consumer	358	124	234	.64 %
Total	$ 442	$ 164	$ 278	.24 %

Total net charge-offs increased $170 million, or 61%, for the first six months of 2020 compared to the same period in 2019. The increase in commercial net charge-offs reflected the impact of certain individual credits, while the increases in automobile, credit card and other consumer loan net charge-offs were due in part to loan portfolio growth.

See Note 1 Accounting Policies and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements in this report for additional information.

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 2019 Form 10-K.

One of the ways we monitor our liquidity is by reference to the Liquidity Coverage Ratio (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, weighted 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. Effective January 1, 2020, PNC and PNC Bank, as Category III institutions under the Tailoring Rules, were subject to a reduced LCR requirement, with each company's net outflows reduced by 15%, thereby reducing the amount of HQLA each institution must hold to meet the LCR minimum requirement. The minimum LCR that PNC and PNC Bank are required to maintain continues to be 100%. PNC and PNC Bank calculate the LCR daily, and as of June 30, 2020, 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 2019 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 $346.0 billion at June 30, 2020 from $288.5 billion at December 31, 2019 driven by growth in both interest-bearing and 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, 2020, our liquid assets consisted of cash and due from banks and short-term investments (federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $61.6 billion and securities available for sale totaling $97.1 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 $23.4 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, $.1 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 8 Borrowed Funds in the Notes To Consolidated Financial Statements and the Funding Sources section of the Consolidated Balance Sheet Review in this Report, and Note 10 Borrowed Funds in Item 8 of our 2019 Form 10-K for additional information related to our borrowings.

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

Table 28: Senior and Subordinated Debt

In billions	2020
January 1	$ 35.1
Issuances	3.5
Calls and maturities	(5.9)
Other	1.5
June 30	$ 34.2

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, 2020, PNC Bank had $21.6 billion of notes outstanding under this program of which $16.6 billion were senior bank notes and $5.0 billion were subordinated bank notes.

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, 2020, our unused secured borrowing capacity at the FHLB-Pittsburgh and the Federal Reserve Bank totaled $80.8 billion. The Federal Reserve also has established certain special liquidity facilities under its emergency lending authority in Section 13(3) of the Federal Reserve Act in response to the economic impact of the pandemic. For additional information on these special liquidity facilities see the Recent Regulatory Developments section of the first quarter 2020 Form 10-Q.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of June 30, 2020, there were no issuances outstanding under this program.

From time to time, the parent company may make capital contributions to PNC Bank. In the second quarter of 2020, a capital contribution to PNC Bank of $2.5 billion was made by the parent company.

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, 2020, available parent company liquidity totaled $17.7 billion which includes proceeds from our second quarter 2020 sale of our equity investment in BlackRock. See Note 2 Discontinued Operations in the Notes To Consolidated Financial Statements of this Report for additional information.

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 $1.8 billion at June 30, 2020. See Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in our 2019 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, 2020, 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.

Parent company senior and subordinated debt outstanding totaled $11.5 billion and $9.8 billion at June 30, 2020 and December 31, 2019, 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 2019 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 9 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 29: Credit Ratings for PNC and PNC Bank

	June 30, 2020		
	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

On July 10, 2020, Fitch downgraded PNC's senior debt rating from A+ to A in conjunction with the finalization of ratings methodology changes for Category II and III banking organizations. The ratings downgrade was solely a function of criteria changes and does not reflect a change in Fitch's current or expected view of PNC's credit fundamentals. No impact to PNC or its businesses is expected as a result of this downgrade. Additionally, PNC Bank's senior unsecured and subordinated debt ratings were affirmed at A+ and A, respectively.

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 2019 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.

PNC announced on March 16, 2020 a temporary suspension of our common stock repurchase program in conjunction with the Federal Reserve's effort to support the U.S. economy during the pandemic, and will continue the suspension through the third quarter of 2020, with the exception of share repurchases to offset the effects of employee benefit plan-related issuances as permitted by recent guidance from the Federal Reserve. The estimated amount of these repurchases in the third quarter of 2020 is $100 million, but the timing and amount of executed repurchases will be based on market conditions and other factors.

We paid dividends on common stock of $.5 billion, or $1.15 per common share, during the second quarter of 2020. The PNC Board of Directors declared a quarterly cash dividend on common stock payable on August 5, 2020 of $1.15 per share, consistent with the second quarter dividend paid on May 5, 2020. In April 2020, PNC submitted its capital plan to the Federal Reserve and OCC as part of the 2020 annual Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress testing (DFAST) process.

On June 25, 2020, the Federal Reserve released the results of its supervisory stress tests conducted as part of the 2020 CCAR/DFAST process, as well as the results of additional sensitivity analysis it conducted to account for the uncertainty presented by the COVID-19 pandemic. Based on the results of the Federal Reserve's supervisory stress tests, PNC's Stress Capital Buffer (SCB), which is scheduled to go into effect on October 1, 2020, was set at 2.5%, the minimum level permitted under applicable rules. For additional information on the SCB and its potential impact on PNC's capital distributions, see the Recent Regulatory Developments section of the Financial Review of our first quarter 2020 Form 10-Q.

Following completion of the 2020 CCAR/DFAST process, the Federal Reserve announced certain limitations on the capital distributions of any CCAR-participating bank holding company (including PNC) during the third quarter of 2020. Under these limitations, PNC and other CCAR-participating firms, absent Federal Reserve approval, are permitted to make only the following capital distributions during the third quarter of 2020:

- Pay common dividends at the same per share level as paid during the second quarter of 2020, provided that the amount does not exceed the average of the firm's net income for the four preceding calendar quarters;
- Purchase common shares in an amount that equals the amount of share issuances related to expensed employee compensation; and
- Make scheduled payments on additional Tier 1 and Tier 2 capital instruments.

The Federal Reserve has indicated that it reserves the right to extend these limitations to additional quarters, potentially in modified form.

In June 2020, the Federal Reserve also announced that all 2020 CCAR-participating firms (including PNC) would be required to conduct an additional round of company and supervisory stress tests in the fourth quarter of 2020 using updated baseline and stressed scenarios that better incorporate the current, expected and potential effects of the COVID-19 pandemic. The Federal Reserve has indicated it will provide updated supervisory scenarios to firms by September 30, 2020, and stress test projections and updated capital plans will be due within 45 days of distribution of the supervisory scenarios. It is unclear at this time how the Federal Reserve expects to utilize the results of this additional 2020 stress test or what, if any, impact this additional round of stress testing may have on the SCB or authorized capital distributions of participating firms.

Table 30: Basel III Capital

Dollars in millions	Basel III June 30, 2020 (a)	June 30, 2020 (Fully Implemented) (estimated) (b)
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	$ 873	$ 873
Retained earnings	46,381	44,986
Goodwill, net of associated deferred tax liabilities	(9,025)	(9,025)
Other disallowed intangibles, net of deferred tax liabilities	(197)	(197)
Other adjustments/(deductions)	(75)	(78)
Common equity Tier 1 capital	$ 37,957	$ 36,559
Additional Tier 1 capital		
Preferred stock plus related surplus	3,995	3,995
Other adjustments/(deductions)	—	—
Tier 1 capital	$ 41,952	$ 40,554
Additional Tier 2 capital		
Qualifying subordinated debt	4,100	4,100
Trust preferred capital securities	40	—
Eligible credit reserves includable in Tier 2 capital	4,192	4,192
Total Basel III capital	$ 50,284	$ 48,846
Risk-weighted assets		
Basel III standardized approach risk-weighted assets (c)	$ 336,990	$ 335,615
Average quarterly adjusted total assets	$ 446,741	$ 445,343
Supplementary leverage exposure (d)	$ 452,000	$ 522,843
Basel III risk-based capital and leverage ratios (a)(e)		
Common equity Tier 1	11.3 %	10.9 %
Tier 1	12.4 %	12.1 %
Total (f)	14.9 %	14.6 %
Leverage (g)	9.4 %	9.1 %
Supplementary leverage ratio (d)(h)	9.3 %	7.8 %

(a) The ratios are calculated to reflect PNC's election to adopt the CECL optional five-year transition provision.
(b) The ratios are calculated to reflect the full impact of CECL and excludes the benefits of the optional five-year transition provision.
(c) Basel III standardized approach weighted-assets are based on the Basel III standardized approach rules and include credit and market risk-weighted assets.
(d) As of June 30, 2020 the Supplementary leverage exposure and Supplementary leverage ratio reflects the temporary exclusions of U.S. Treasury securities and deposits at Federal Reserve Banks.
(e) All ratios are calculated using the regulatory capital methodology applicable to PNC and calculated based on the standardized approach.
(f) The Basel III Total risk-based capital ratios include nonqualifying trust preferred capital securities of $40 million that are subject to a phase-out period that runs through 2021.
(g) Leverage ratio is calculated based on Tier 1 capital divided by Average quarterly adjusted total assets.
(h) The Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure, which takes into account both on balance sheet assets as well as certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts.

As of January 1, 2020, the 2019 Tailoring Rules became effective for PNC. The most significant changes involve the election to exclude specific AOCI items from common equity Tier 1 (CET1) capital and higher thresholds used to calculate CET1 capital deductions. Effective January 1, 2020, PNC must deduct from CET1 capital (net of associated deferred tax liabilities) investments in unconsolidated financial institutions, mortgage servicing rights and deferred tax assets to the extent such items individually exceed 25% of the institution's adjusted CET1 capital.

PNC's regulatory risk-based capital ratios in 2020 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.

On March 27, 2020, the regulatory agencies issued an interim final rule permitting banks to delay the estimated impact on regulatory capital stemming from implementing CECL. CECL's estimated impact on CET1 capital, as defined by the rule, is the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date compared to the CECL ACL at transition. The estimated CECL impact is added to CET1 capital through December 31, 2021, then phased-out over the following three years. PNC elected to adopt this optional transition provision effective March 31, 2020. See additional discussion of this interim final rule in the Recent Regulatory Developments section and Item 2 Risk Management of our first quarter 2020 Form 10-Q.

In April 2020, in response to the economic conditions caused by COVID-19, the Federal Reserve issued an interim final rule that revises, on a temporary basis, the calculation of supplementary leverage exposure (the denominator of the supplementary leverage ratio) by bank holding companies to exclude the on-balance sheet amounts of U.S. Treasury securities and deposits at Federal Reserve Banks. The rule was effective as of April 14, 2020 and will remain in effect through March 31, 2021. See additional discussion of this interim final rule in the Recent Regulatory Developments section of our first quarter 2020 Form 10-Q.

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, 2020 capital levels were aligned with them.

At June 30, 2020, 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%.

See the Recent Regulatory Developments section of our first quarter 2020 Form 10-Q for recent developments that could have a potential impact on our Basel III capital ratios. 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 2019 Form 10-K.

Market Risk Management

See the Market Risk Management portion of the Risk Management Section in our 2019 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.

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 quarter of 2020 and 2019 follow.

Table 31: Interest Sensitivity Analysis

	Second Quarter 2020	Second Quarter 2019
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	3.2 %	1.9 %
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	11.2 %	4.8 %
Duration of Equity Model (a)		
Base case duration of equity (in years)	(8.1)	(4.7)
Key Period-End Interest Rates		
One-month LIBOR	.16 %	2.40 %
Three-month LIBOR	.30 %	2.32 %
Three-year swap	.23 %	1.74 %

(a) Given the inherent limitations in certain of these measurement tools and techniques, results become less meaningful as interest rates approach zero. Senior management approved the suspension of the 100bps decrease in rate change sensitivities considering the current low rate environment.

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 32 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 50 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.

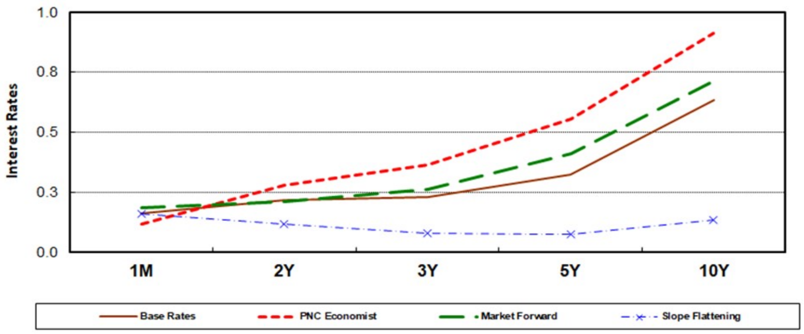
Table 32: Net Interest Income Sensitivity to Alternative Rate Scenarios

	June 30, 2020		
	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	(.5)%	1.0 %	(1.0)%
Second year sensitivity	.4 %	1.4 %	(3.1)%

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 31 and 32. 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 33: Alternate Interest Rate Scenarios: One Year Forward



The second quarter 2020 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.

The planned discontinuance of the requirement that banks submit rates for the calculation of LIBOR after 2021 presents risks to the financial instruments originated, held, or serviced by PNC that use LIBOR as a reference rate. PNC holds instruments and services its instruments and instruments owned by others that may be impacted by the likely discontinuance of LIBOR, including loans, investments, hedging products, floating-rate obligations, and other financial instruments that use LIBOR as a reference rate. The transition from LIBOR as an interest rate benchmark will subject PNC to financial, legal, operational, and reputational risks.

PNC has established a cross functional governance structure to oversee the overall strategy for the transition from LIBOR and mitigate risks associated with the transition. An initial LIBOR impact and risk assessment has been performed, which identified the associated risks across products, systems, models and processes. PNC is actively monitoring its overall firm-wide exposure to LIBOR and using these results to plan transitional strategies and track progress versus these goals.

We also continue to focus our transition efforts on:

- enhancing fallback language in new contracts and reviewing existing legal contracts/agreements to assess fallback language impacts;
- making preparations for internal operational readiness;
- making necessary enhancements to our infrastructure including systems, models, valuation tools, and processes;
- developing and delivering on internal and external LIBOR cessation communication plans;
- engaging with our clients, industry working groups, and regulators; and
- monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments.

See the Risk Factors section in Item IA and Risk Management Market Rate Management - Interest Rate Risk section in Item 7 disclosed in our 2019 Form 10-K for additional information regarding the planned discontinuance of LIBOR as a reference rate.

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 2020 and 2019 were within our acceptable limits.

See the Market Risk Management – Customer-Related Trading Risk section of our 2019 Form 10-K for more information on our models used to calculate VaR and our backtesting process.

Customer related trading revenue was $185 million for the six months ended June 30, 2020 compared to $135 million for the same period in 2019. For the quarterly period, customer related trading revenue was $114 million for the second quarter of 2020 compared to $87 million in 2019. The increase was primarily due to higher derivative sales to clients mainly due to interest rate and oil price volatility.

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 34: Equity Investments Summary

Dollars in millions	June 30 2020	December 31 2019	Change $	Change %
Tax credit investments	$ 2,141	$ 2,218	$ (77)	(3)%
Private equity and other	2,802	2,958	(156)	(5)%
Total	$ 4,943	$ 5,176	$ (233)	(5)%

Tax Credit Investments
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 $.8 billion and $1.0 billion at June 30, 2020 and December 31, 2019, 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 2019 Form 10-K has further information on Tax Credit Investments.

Private Equity and Other
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 $1.4 billion and $1.5 billion at June 30, 2020 and December 31, 2019, respectively. As of June 30, 2020, $1.2 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 2019 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, 2020 per share closing price of $193.17 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately $1.1 billion 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 2019 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, 2020 and June 30, 2019.

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, Note 6 Fair Value and Note 13 Financial Derivatives in our Notes To Consolidated Financial Statements in our 2019 Form 10-K and in Note 12 Fair Value and Note 13 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

Since the outbreak of COVID-19, the U.S. Government has taken a wide variety of actions in order to aid businesses and consumers financially impacted by COVID-19, facilitate the orderly functioning of financial markets and assist banking organizations in being able to meet the credit and other banking needs of their customers and communities. The following provides an overview of the most significant recent COVID-related actions affecting U.S. banking organizations, such as PNC. See Item 2 Recent Regulatory Developments and Item 1A Risk Factors in our first quarter 2020 Form 10-Q for a description of the risks presented by COVID-19.

CARES Act Related Developments
In July 2020, President Trump signed an extension of the PPP, which provides forgivable loans to small and medium-sized businesses affected by the pandemic. The extension authorizes the SBA to continue to accept PPP loan applications until August 8, 2020. PNC Bank continues to participate in the PPP with our focus shifting to the loan forgiveness process.

Capital, Capital Planning and Liquidity
In June 2020, the Federal Reserve announced the results of its stress tests for 2020 and additional sensitivity analyses that the agency conducted in light of COVID-19. See the Liquidity and Capital Management portion of the Risk Management section in this Item 2 for a discussion of PNC’s results and capital actions. Concurrently, the Federal Reserve announced that it will, among other actions, require banks like PNC to suspend share repurchases (except those to offset the effects of employee benefit plan-related issuances), resubmit their capital plans, and conduct additional stress analyses later this year as economic conditions evolve. These capital distribution limitations will apply for the third quarter of 2020, and may be extended by the Federal Reserve.

In May 2020, the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) issued an interim final rule that modifies the agencies’ LCR rule to support banking organizations’ participation in the Federal Reserve’s Money Market Mutual Fund Liquidity Facility (MMLF) and the PPP Liquidity Facility (PPPLF). The interim final rule neutralizes the LCR impact associated with the non-recourse funding provided by these facilities. Separately, in June 2020, the FDIC issued a final rule to mitigate the deposit insurance assessment effects of participating in the PPP, the PPPLF, and the MMLF. Among other changes, the final rule removes the effect of participation in the PPP and borrowings under the PPPLF on various risk measures used to calculate the assessment rate of an insured depository institution like PNC Bank, and provides an offset to an insured depository institution’s assessment for the increase to its assessment base attributable to participation in the PPP and MMLF. The final rule will be applied to assessments starting in the second quarter of 2020. Similarly, in June 2020, the OCC issued an interim final rule that will reduce assessments due to be paid to the OCC on September 30, 2020. Under the interim final rule, assessments due will be calculated using the lower of the bank’s assets on December 31, 2019 or June 30, 2020.

In May 2020, the Federal Reserve, FDIC, and OCC issued an interim final rule that permits depository institutions like PNC Bank to elect to exclude, until March 31, 2021, U.S. Treasury securities and deposits at Federal Reserve Banks from its supplementary leverage exposure for purposes of calculating the institution’s supplementary leverage ratio (SLR). If a depository institution elects to exclude these items from its SLR calculation, it must obtain the approval of its primary federal banking regulator before making capital distributions as long as the exclusion is in effect. In light of PNC Bank’s strong SLR, PNC Bank has not elected to take advantage of this interim final rule.

In May 2020, the Federal Reserve and FDIC extended, until September 29, 2021, the submission date for the next resolution plans for Category II and Category III organizations, such as PNC, under section 165(d) of the Dodd-Frank Act.

In April 2020, the Federal Reserve announced temporary actions aimed at increasing the availability of intraday credit extended by Federal Reserve Banks on both a collateralized and uncollateralized basis. Among other actions, the Federal Reserve suspended uncollateralized intraday credit limits (net debit caps), waived overdraft fees for institutions that are eligible for the primary credit program, and suspended two collections of information that are used to calculate net debit caps. These temporary actions are currently scheduled to remain in effect until September 30, 2020.

In April 2020, the Federal Reserve also amended Regulation D (reserve requirements for depository institutions) to eliminate the regulatory six-per-month limit on certain types of transfers from the savings deposits, which may result in certain changes to how depository institutions (such as PNC Bank) classify and report deposit balances.

Other Developments

The regulatory agencies also recently finalized a number of non-COVID-19-related rules. For example, in July 2020, the CFPB issued a final rule rescinding the mandatory underwriting provisions of its 2017 payday lending rule that required lenders to make certain underwriting determinations prior to issuing payday and other covered loans, but leaving intact the payments provisions of the 2017 rule. In connection with issuing this final rule, the CFPB also issued a statement indicating that it did not intend to take supervisory or enforcement action to enforce the application of the final rule to loans with an original principal balance that exceeds $58,300.

In June 2020, the Federal Reserve, FDIC, OCC, SEC, and the Commodity Futures Trading Commission (CFTC) finalized a rule modifying the Volcker rule's prohibition on banking entities investing in or sponsoring hedge funds or private equity funds (referred to under the rule as covered funds). The final rule streamlines several aspects of the covered funds portion of the rule; allows banking organizations to offer and sponsor venture capital funds and a wider array of loan-related funds; and permits banking entities to offer financial services to, and engage in other activities with, covered funds that do not raise concerns that the Volcker rule was intended to address. The final rule will be effective October 1, 2020.

In June 2020, the Federal Reserve, FDIC, OCC, Farm Credit Administration, and the Federal Housing Finance Agency finalized amendments to the swap margin rule. Under the final rule, entities that are part of the same banking organization-like PNC Bank and its affiliates-generally will no longer be required to hold a specific amount of initial margin for uncleared swaps with each other (known as inter-affiliate swaps), unless the aggregate initial margin calculation amount for such swaps exceeds 15 percent of the covered swap entity's tier 1 capital. Additionally, among other changes, the final rule allows swap entities to amend legacy swaps to replace references to the London Inter-bank Offered Rate (LIBOR) or other reference rates that are expected to be discontinued without triggering margin exchange requirements. Separately, the agencies issued an interim final rule that extends the compliance date under the swap margin rule for entities like PNC to September 1, 2021.

In June 2020, the OCC released a notice of proposed rulemaking (NPR) to update its rules for national bank and federal savings association activities and operations. Among other significant changes, the NPR would incorporate and streamline interpretations addressing permissible derivatives activities and codify interpretations that permit national banks to engage in certain tax equity finance transactions and participate in payment systems. Separately, the OCC also released an advance notice of proposed rulemaking (ANPR) seeking public comment on how the OCC's rules could be modified to better facilitate the provision of banking products and services through digital means. Comments for the NPR and ANPR are due on August 3, 2020.

With respect to consumer financial protection matters, in June 2020, the Consumer Financial Protection Bureau (CFPB) issued an interim final rule amending its Regulation X to facilitate the offering of COVID-19 related loss mitigation options to mortgage borrowers. The amendments temporarily permit mortgage servicers like PNC Bank to offer certain loss mitigation options without obtaining a complete loss mitigation application. Mortgage servicers may offer such loss mitigation options to borrowers participating in COVID-related payment forbearance programs or experiencing financial hardships due to COVID-19.

In June 2020, the U.S. Supreme Court held that the Dodd-Frank Act provision that allows the President to remove the CFPB's single director only for inefficiency, neglect, or malfeasance violates the separation of powers in the U.S. Constitution, but otherwise left the structure and powers of the CFPB intact. In response, the CFPB in July 2020 issued a ratification through its now removable-at-will director of the large majority of its existing regulations and certain other regulatory actions taken from January 4, 2012 through June 30, 2020.

In May 2020, the CFPB issued a final rule covering remittance transfers, which allows certain banks and credit unions to continue to provide estimates of the exchange rate and certain remittance fees under certain conditions.

In May 2020, the OCC finalized amendments to its regulations implementing the Community Reinvestment Act (CRA), which requires the agencies to assess a bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods. The final rule significantly revamps for national banks like PNC Bank how the OCC defines what qualifies for CRA credit, where such activity must be conducted to receive credit, how CRA performance is measured, and how CRA performance is documented and reported. The final rule is effective October 1, 2020, with a compliance date of January 1, 2023, for PNC Bank. The OCC has indicated it will conduct a future rulemaking to set the quantitative levels of CRA activity that a national bank would have to achieve to receive a Satisfactory or Outstanding CRA rating, either within a particular assessment area or overall.

In May 2020, the OCC finalized a rule to address the legal uncertainty regarding the effect of a transfer on a loan's permissible interest rate caused by the Second Circuit's 2015 decision in Madden v. Midland Funding, LLC. The rule clarifies that when a national bank like PNC Bank sells, assigns, or otherwise transfers a loan, interest permissible before the transfer continues to be permissible after the transfer. In June 2020, the FDIC issued a final regulation for state banks that mirrors the OCC's rule.

Critical Accounting Estimates and Judgments

Note 1 Accounting Policies of our 2019 Form 10-K describes the most significant accounting policies that we use to prepare our consolidated financial statements, including discussion of our policies for the Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit, prior to the adoption of the CECL standard. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in this Report regarding the impact of new accounting pronouncements, including CECL, that were adopted in the first and second quarters of 2020.

Certain 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 our2019 Form 10-K:
- Fair Value Measurements
- Residential and Commercial Mortgage Servicing Rights

Allowance for Credit Losses

We maintain the ACL at levels that we believe to be appropriate as of the balance sheet date to absorb expected credit losses on our existing investment securities, loans, finance leases (including residual values), other financial assets and unfunded lending related commitments, for the remaining contractual term of the assets taking into consideration expected prepayments. Our determination of the ACL is based on historical loss experience, borrower characteristics, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors. We use methods sensitive to changes in economic conditions, to interpret these factors to estimate expected credit losses. We evaluate and, when appropriate, enhance the quality of our data and models and other methods used to estimate ACL on an ongoing basis. We apply qualitative factors to reflect in the ACL our best estimate of amounts that we do not expect to collect because of, among other things, idiosyncratic risk factors, changes in economic conditions that may not be reflected in forecasted results, or other potential methodology weaknesses. The ACL estimates are therefore susceptible to various factors, including, but not limited to, the following major factors:
- Current economic conditions and borrower quality: Our forecast of expected losses depends on conditions and portfolio quality as of the estimation date. As current conditions evolve, forecasted losses could be materially affected.
- Scenario weights and design: Our loss estimates are sensitive to the shape and severity of macroeconomic forecasts and thus vary significantly between upside and downside scenarios. Change to probability weights assigned to these scenarios and timing of peak business cycles reflected by the scenarios could materially affect our loss estimates.
- Portfolio volume and mix: Changes to portfolio volume and mix could materially affect our estimates, as CECL reserves would be recognized upon origination or acquisition.

For all assets and unfunded lending related commitments within the scope of the CECL standard, the applicable ACL is composed of one or a combination of the following components: (i) collectively assessed or pooled reserves, (ii) individually assessed reserves, and (iii) qualitative (judgmental) reserves. Our methodologies and key assumptions for each of these components are discussed in Note1 Accounting Policies in the Notes To Consolidated Financial Statements of this Report.

Reasonable and Supportable Economic Forecast

Under CECL, we are required to consider reasonable and supportable forecasts in estimating expected credit losses. For this purpose, we have established a framework which includes a three year reasonable and supportable economic forecast period and the use of four economic scenarios with associated probability weights, which in combination create a forecast of expected economic outcomes over our reasonable and supportable forecast period (RSFP). Our RSFP credit loss estimates are sensitive to the shape and severity of the scenarios used and weights assigned to them.

To generate the four economic forecast scenarios we use a combination of quantitative macroeconomic models, other measures of economic activity and forward-looking expert judgment to forecast the distribution of economic outcomes over the RSFP. Each scenario is then given an associated probability (weight) in order to represent our current expectation within that distribution over the RSFP. This process is informed by current economic conditions, expected business cycle evolution and the expert judgment of PNC's CECL Reserve Adequacy Committee (CECL RAC). This approach seeks to provide a reasonable representation of the forecast of expected economic outcomes and is used to estimate expected credit losses across a variety of loans and securities. Each quarter the scenarios are presented for approval to PNC's CECL RAC and the committee determines and approves CECL scenarios weights for use for the current reporting period.

The scenarios used for the period endedJune 30, 2020 were designed to address the impact of the continuing COVID-19 crisis on the macroeconomic environment, based on our best estimate as of June 30, 2020. We used a number of economic variables, with the largest drivers being GDP and the unemployment rate measures. Using a weighted average of our four economic forecast scenarios, we estimated at June 30, 2020 that annualized GDP contracts 6.2% in the third quarter of 2020, finishing the year down 4.9% from fourth quarter 2019 levels and recovering to pre-recession peak levels by the first quarter of 2022. Additionally, the quarterly unemployment rate falls to 9.5% in the fourth quarter of 2020, from a peak of 13.6% in the second quarter, with the labor market continuing to recover in 2021 and 2022. We believe that the economic assumptions used in the scenarios for the second quarter of 2020 sufficiently reflect the life of loan losses in the current portfolio, and based on these assumptions we do not anticipate any substantial reserve builds related to our current portfolio during the remainder of 2020.

For internal analytical purposes, we considered what our capital ratios would be if we had an ACL at December 31, 2020 equal to the Federal Reserve's estimated nine quarter credit losses for PNC under the 2020 CCAR supervisory severely adverse scenario of $12.1 billion, essentially adding $5.5 billion in reserves over the next two quarters. This analysis resulted in a CET1 ratio of approximately 10.0% at December 31, 2020, a level well above 7.0%, which is our regulatory minimum of 4.5% plus our Stress Capital Buffer of 2.5%. This scenario was not our expectation at June 30, 2020 and does not reflect our current expectation, nor does it capture all the potential unknown variables that would likely arise through the remainder of 2020, but it provides an approximation of a possible outcome under hypothetical severe conditions. The CECL methodology inherently requires a high degree of judgment. As a result, it is possible that we may, at another point in time, reach different conclusions regarding our credit loss estimates. See the following for additional details on the components of our ACL, as well as the methodologies and related assumptions:

- Allowance For Credit Losses in the Credit Risk Management section of this Financial Review, and
- Note 1 Accounting Policies, Note 3 Investment Securities and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report.

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 2019 Form 10-K and in Note 5 Loan Sale and Servicing Activities and Variable Interest Entities and Note 9 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 2019 Form 10-K.

Trust Preferred Securities

See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in our 2019 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, 2020, 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, 2020, and that there has been no change in PNC's internal control over financial reporting that occurred during the second quarter of 2020 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 updated in our first quarter 2020 Form 10-Q and our 2019 Form 10-K.

Cautionary Statement Regarding Forward-Looking Information

We also 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 necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake 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. As a result, we caution against placing undue reliance on any forward-looking statements.

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 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.
  - The length and extent of economic contraction as a result of the COVID-19 pandemic.
  - 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 view that:
  - PNC's baseline economic forecast is for an economic recovery in the second half of 2020 and into 2021, following a very severe but short recession in the first half of 2020. Consumers are increasing their spending and workers are returning to their job sites as states are gradually lifting restrictions on businesses and activities because of the COVID-19 pandemic; fiscal stimulus from the federal government is also supporting economic growth in mid-2020. After a significant contraction in real GDP, steep job losses, and a large increase in the unemployment rate earlier in the second quarter, economic growth has resumed and the labor market is improving.
  - In the baseline forecast, real GDP increases in the third quarter as consumers start to spend again. Fiscal stimulus and extremely low interest rates support the recovery. Real GDP surpasses its pre-recession peak in 2022, and growth is well above its long-term trend through 2023.
  - The baseline forecast assumes that the Federal Open Market Committee keeps the federal funds rate in its current range of 0.00% to 0.25% into 2023.
- Given the many unknowns and potential downside risks, including additional COVID-19 outbreaks, our forward-looking statements are subject to the risk that conditions will be substantially different than we are currently expecting. If efforts to contain COVID-19 are unsuccessful and restrictions on businesses and activities are reimposed or expanded, the economy could fall back into recession. The potential expiration of fiscal stimulus is also a major downside risk. The longer the labor market recovery takes, the more it will damage consumer fundamentals and sentiment. This could make the recovery weaker. Similarly, weak near-term growth could damage business fundamentals. And an extended global recession due to COVID-19 would weaken the U.S. recovery. As a result, the outbreak and its consequences, including responsive measures to manage it, have had and are likely to continue to have an adverse effect, possibly materially, on our business and financial performance by adversely affecting, possibly materially, the demand and profitability of our products and services, the valuation of assets and our ability to meet the needs of our customers.
- PNC's ability to take certain capital actions, including returning capital to shareholders beginning in the fourth quarter of 2020, is subject to PNC meeting or exceeding a stress capital buffer established by the Federal Reserve Board in connection with the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process. The Federal Reserve also has imposed limitations on capital distributions in the third quarter of 2020 by CCAR-participating bank holding companies and may extend these limitations, potentially in modified form.
- PNC's 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 PNC's

balance sheet. In addition, PNC's 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 PNC.
  - 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.
- 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 2019 Form 10-K and first quarter 2020 Form 10-Q 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. In particular, our forward-looking statements are subject to risks and uncertainties related to the COVID-19 pandemic and the resulting governmental and societal responses. Our forward-looking statements may also be subject to other risks and uncertainties, including those we may discuss 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 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Interest Income				
Loans	$ 2,257	$ 2,672	$ 4,737	$ 5,274
Investment securities	527	629	1,109	1,249
Other	71	196	209	402
Total interest income	2,855	3,497	6,055	6,925
Interest Expense				
Deposits	141	515	516	987
Borrowed funds	187	484	501	965
Total interest expense	328	999	1,017	1,952
Net interest income	2,527	2,498	5,038	4,973
Noninterest Income				
Asset management	199	221	400	433
Consumer services	330	392	707	763
Corporate services	512	484	1,038	946
Residential mortgage	158	82	368	147
Service charges on deposits	79	171	247	339
Other	271	367	614	675
Total noninterest income	1,549	1,717	3,374	3,303
Total revenue	4,076	4,215	8,412	8,276
Provision For Credit Losses	2,463	180	3,377	369
Noninterest Expense				
Personnel	1,373	1,365	2,742	2,779
Occupancy	199	212	406	427
Equipment	301	298	588	571
Marketing	47	83	105	148
Other	595	653	1,217	1,264
Total noninterest expense	2,515	2,611	5,058	5,189
Income (loss) from continuing operations before income taxes and noncontrolling interests	(902)	1,424	(23)	2,718
Income taxes (benefit) from continuing operations	(158)	239	(38)	451
Net income (loss) from continuing operations	(744)	1,185	15	2,267
Income from discontinued operations before taxes	5,596	224	5,777	449
Income taxes from discontinued operations	1,197	35	1,222	71
Net income from discontinued operations	4,399	189	4,555	378
Net income	3,655	1,374	4,570	2,645
Less: Net income attributable to noncontrolling interests	7	12	14	22
Preferred stock dividends	55	55	118	118
Preferred stock discount accretion and redemptions	1	1	2	2
Net income attributable to common shareholders	$ 3,592	$ 1,306	$ 4,436	$ 2,503
Earnings Per Common Share				
Basic earnings (loss) from continuing operations	$ (1.90)	$ 2.47	$ (0.29)	$ 4.68
Basic earnings from discontinued operations	10.28	.42	10.60	.83
Total basic earnings	$ 8.40	$ 2.89	$ 10.33	$ 5.51
Diluted earnings (loss) from continuing operations	$ (1.90)	$ 2.47	$ (0.29)	$ 4.67
Diluted earnings from discontinued operations	10.28	.41	10.59	.82
Total diluted earnings	$ 8.40	$ 2.88	$ 10.32	$ 5.49
Average Common Shares Outstanding				
Basic	426	451	428	453
Diluted	426	452	428	454

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 2020	 2019	Six months ended June 30 2020	 2019
Net income (loss) from continuing operations	$ (744)	$ 1,185	$ 15	$ 2,267
Other comprehensive income (loss), before tax and net of reclassifications into Net income:				
Net unrealized gains (losses) on securities without an allowance for credit losses	620		2,107	
Net unrealized gains (losses) on securities with an allowance for credit losses	(82)		(89)	
Net unrealized gains (losses) on non-OTTI securities		694		1,333
Net unrealized gains (losses) on OTTI securities				9
Net unrealized gains (losses) on cash flow hedge derivatives	12	254	797	354
Pension and other postretirement benefit plan adjustments	(17)	(84)	(5)	61
Other	2	5	10	10
Other comprehensive income (loss) from continuing operations, before tax and net of reclassifications into Net income	535	869	2,820	1,767
Income tax benefit (expense) from continuing operations related to items of other comprehensive income	(125)	(205)	(665)	(407)
Other comprehensive income (loss) from continuing operations, after tax and net of reclassifications into Net income	410	664	2,155	1,360
Net income from discontinued operations	4,399	189	4,555	378
Other comprehensive income (loss) from discontinued operations, before tax and net of reclassifications into Net income	182	(35)	148	(6)
Income tax benefit (expense) from discontinued operations related to items of other comprehensive income	(41)	7	(33)	2
Other comprehensive income (loss) from discontinued operations, after tax and net of reclassifications into Net income	141	(28)	115	(4)
Other comprehensive income (loss), after tax and net of reclassifications into Net income	551	636	2,270	1,356
Comprehensive income	4,206	2,010	6,840	4,001
Less: Comprehensive income attributable to noncontrolling interests	7	12	14	22
Comprehensive income attributable to PNC	$ 4,199	$ 1,998	$ 6,826	$ 3,979

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions, except par value	June 30 2020	December 31 2019
Assets		
Cash and due from banks	$ 6,338	$ 5,061
Interest-earning deposits with banks	50,233	23,413
Loans held for sale (a)	1,443	1,083
Asset held for sale (b)		8,558
Investment securities – available for sale	97,052	69,163
Investment securities – held to maturity	1,441	17,661
Loans (a)	258,236	239,843
Allowance for loan and lease losses (c)	(5,928)	(2,742)
Net loans	252,308	237,101
Equity investments	4,943	5,176
Mortgage servicing rights	1,067	1,644
Goodwill	9,233	9,233
Other (a)	34,920	32,202
Total assets	$ 458,978	$ 410,295
Liabilities		
Deposits		
Noninterest-bearing	$ 99,458	$ 72,779
Interest-bearing	246,539	215,761
Total deposits	345,997	288,540
Borrowed funds		
Federal Home Loan Bank borrowings	8,500	16,341
Bank notes and senior debt	27,704	29,010
Subordinated debt	6,500	6,134
Other (d)	4,322	8,778
Total borrowed funds	47,026	60,263
Allowance for unfunded lending related commitments (c)	662	318
Accrued expenses and other liabilities	12,345	11,831
Total liabilities	406,030	360,952
Equity		
Preferred stock (e)		
Common stock ($5 par value, Authorized 800 shares, issued 542 shares)	2,712	2,712
Capital surplus	16,284	16,369
Retained earnings	44,986	42,215
Accumulated other comprehensive income	3,069	799
Common stock held in treasury at cost: 117 and 109 shares	(14,128)	(12,781)
Total shareholders' equity	52,923	49,314
Noncontrolling interests	25	29
Total equity	52,948	49,343
Total liabilities and equity	$ 458,978	$ 410,295

(a) Our consolidated assets included the following for which we have elected the fair value option: Loans held for sale of $1.2 billion, Loans of $1.0 billion and Other assets of $.1 billion at June 30, 2020 and Loans held for sale of $1.1 billion, Loans of $.7 billion and Other assets of $.1 billion at December 31, 2019.

(b) Represents our held for sale investment in BlackRock. In the second quarter of 2020, PNC divested its entire investment in BlackRock. See Note 2 Discontinued Operations for additional information. Prior period BlackRock investment balances have been reclassified to the Asset held for sale line in accordance with ASC 205-20, Presentation of Financial Statements - Discontinued Operations. Refer to Note 1 Accounting Policies and Note 2 Discontinued Operations for additional details.

(c) Amount as of June 30, 2020 reflects the impact of adopting Accounting Standards Update 2016-13, Financial Instruments - *Credit Losses*, which is commonly referred to as the Current Expected Credit Losses (CECL) standard and our transition from an incurred loss methodology for these reserves to an expected credit loss methodology. Refer to Note 1 Accounting Policies in this Report for additional detail on the adoption of this standard.

(d) Our consolidated liabilities at June 30, 2020 and December 31, 2019 included Other borrowed funds of less than $.1 billion and $.1 billion, respectively, for which we have elected the fair value option.

(e) 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 2020	2019
Operating Activities		
Net income	$ 4,570	$ 2,645
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for credit losses	3,377	369
Depreciation and amortization	712	579
Deferred income taxes	(2,501)	106
Net gains on sales of securities	(222)	(32)
Changes in fair value of mortgage servicing rights	728	502
Gain on sale of BlackRock	(5,740)	
Undistributed earnings of BlackRock	(174)	(220)
Net change in		
Trading securities and other short-term investments	(266)	1,465
Loans held for sale	(170)	(116)
Other assets	(1,675)	(2,286)
Accrued expenses and other liabilities	3,161	812
Other	531	(180)
Net cash provided (used) by operating activities	$ 2,331	$ 3,644
Investing Activities		
Sales		
Securities available for sale	$ 12,055	$ 2,817
Net proceeds from sale of BlackRock	14,225	
Loans	597	520
Repayments/maturities		
Securities available for sale	10,110	4,795
Securities held to maturity	38	1,155
Purchases		
Securities available for sale	(31,593)	(11,141)
Securities held to maturity	(44)	(292)
Loans	(173)	(735)
Net change in		
Federal funds sold and resale agreements	460	4,538
Interest-earning deposits with banks	(26,820)	(7,469)
Loans	(19,886)	(11,169)
Other	(206)	(502)
Net cash provided (used) by investing activities	$ (41,237)	$ (17,483)

(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 2020	2019
Financing Activities		
Net change in		
Noninterest-bearing deposits	$ 26,673	$ (3,992)
Interest-bearing deposits	30,778	9,514
Federal funds purchased and repurchase agreements	(5,888)	1,546
Federal Home Loan Bank borrowings	(6,300)	6,875
Other borrowed funds	1,486	(119)
Sales/issuances		
Federal Home Loan Bank borrowings	9,060	12,000
Bank notes and senior debt	3,487	4,438
Other borrowed funds	304	771
Common and treasury stock	34	40
Repayments/maturities		
Federal Home Loan Bank borrowings	(10,601)	(11,000)
Bank notes and senior debt	(5,897)	(2,350)
Subordinated debt		(700)
Other borrowed funds	(318)	(777)
Acquisition of treasury stock	(1,523)	(1,613)
Preferred stock cash dividends paid	(118)	(118)
Common stock cash dividends paid	(994)	(868)
Net cash provided (used) by financing activities	$ 40,183	$ 13,647
Net Increase (Decrease) In Cash And Due From Banks And Restricted Cash	1,277	(192)
Net cash provided by discontinued operations	14,299	159
Net cash provided (used) by continuing operations	(13,022)	(351)
Cash and due from banks and restricted cash at beginning of period	5,061	5,608
Cash and due from banks and restricted cash at end of period	$ 6,338	$ 5,416
Cash and due from banks and restricted cash		
Cash and due from banks at end of period (unrestricted cash)	$ 5,977	$ 5,416
Restricted cash	361	
Cash and due from banks and restricted cash at end of period	$ 6,338	$ 5,416
Supplemental Disclosures		
Interest paid	$ 913	$ 1,905
Income taxes paid	$ 528	$ 217
Income taxes refunded	$ 9	$ 7
Leased assets obtained in exchange for new operating lease liabilities	$ 59	$ 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	$ 542	$ 256
Transfer from trading securities to investment securities	$ 289	
Transfer from loans to foreclosed assets	$ 43	$ 90

See accompanying Notes To Consolidated Financial Statements.

BUSINESS

The PNC Financial Services Group, Inc. (PNC) is one of the largest diversified financial services companies in the United States (U.S.) 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 primarily 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.

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 2019 Form 10-K. These interim consolidated financial statements serve to update our2019 Form 10-K and may not include all information and Notes necessary to constitute a complete set of financial statements. There have been significant changes to our accounting policies as disclosed in our 2019 Form 10-K due to the adoption of the Current Expected Credit Losses (CECL) standard and our discontinued operation as a result of the disposal of our equity investment in BlackRock. As a result of this disposal, BlackRock's historical results of operations are reported as discontinued operations in our consolidated financial statements for all periods presented. The updated policies impacted by these changes are included in this Note 1. Reference is made to Note 1 Accounting Policies in our 2019 Form 10-K for a detailed description of all other significant accounting policies.

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 allowance for credit losses (ACL). Actual results may differ from the estimates and the differences may be material to the consolidated financial statements.

Discontinued Operations

A disposal of an asset or business that meets the criteria for held for sale classification is reported as discontinued operations when the disposal represents a strategic shift that has had, or will have, a major effect on our operating results. We report an asset as held for sale when management has approved or received approval to sell the asset and is committed to a formal plan, the asset is available for immediate sale, the asset is being actively marketed, the sale is anticipated to occur during the ensuing year and certain other specified criteria are met. An asset classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the asset exceeds its estimated fair value, the asset is written down to its fair value upon the held for sale designation. Our BlackRock held for sale asset is recorded at its carrying amount as we accounted for this investment under the equity method of accounting and the fair value of the asset exceeded the carrying value at each balance sheet date.

When presenting discontinued operations, assets classified as held for sale are segregated in the Consolidated Balance Sheet commencing in the period in which the asset meets all of the held for sale criteria described above and prior periods are recast. The results of discontinued operations are reported in Discontinued Operations in the Consolidated Statement of Income for current and prior periods commencing in the period in which the asset or business is either disposed of or is classified as held for sale, including any gain or loss recognized on sale or adjustment of the carrying amount to fair value less cost to sell.

Earnings Per Common Share

Basic earnings per common share is calculated using the two-class method to determine income attributable to common shareholders. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities under the two-class method. Distributed dividends and dividend equivalents related to participating securities and an allocation of undistributed net income to participating securities reduce the amount of income attributable to common shareholders. In a period with a loss, no allocation will be made to the participating securities, as they do not have a contractual obligation to absorb losses. Income attributable to common shareholders is then divided by the weighted-average common shares outstanding for the period.

Diluted earnings per common share is calculated under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, we increase the weighted-average number of shares of common stock outstanding by the assumed conversion of outstanding convertible preferred stock from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and warrants and the issuance of incentive shares using the treasury stock method. These adjustments to the weighted-average number of shares of common stock outstanding are made only when such adjustments will dilute earnings per common share. For periods in which there is a loss from continuing operations, any potential dilutive shares will be anti-dilutive. In this scenario, no potential dilutive shares will be included in the continuing operations, discontinued operations or total earnings per common share calculations, even if overall net income is reported. See Note 11 Earnings Per Share for additional information.

Recently Adopted Accounting Standards

Accounting Standards Update (ASU)	Description	Financial Statement Impact
Credit Losses- ASU 2016-13 Issued June 2016 **Codification Improvements - ASU 2019-04** Various improvements related to Credit Losses (Topics 1, 2 and 5) Issued April 2019 **Targeted Transition Relief - Credit Losses - ASU 2019-05** Issued May 2019 **Codification Improvements - ASU 2019-11** Issued November 2019	• Commonly referred to as the CECL standard. •Replaces measurement, recognition and disclosure guidance for credit related reserves (*i.e.*, the allowance for loan and lease losses (ALLL) and the allowance for unfunded loan commitments and letters of credit) and Other than Temporary Impairment (OTTI) for debt securities. •Requires the use of an expected credit loss methodology; specifically, current expected credit losses for the remaining life of the asset will be recognized starting from the time of origination or acquisition. •Methodology applies to loans, net investment in leases, debt securities and certain financial assets not accounted for at fair value through net income. It also applies to unfunded lending related commitments except for unconditionally cancellable commitments. •In-scope assets are presented at the net amount expected to be collected after the deduction or addition of the ACL from the amortized cost basis of the assets. • Requires inclusion of expected recoveries of previously charged-off amounts for in-scope 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 at adoption.	• Adopted January 1, 2020 under the modified retrospective approach. The cumulative-effect adjustment to retained earnings totaled $671 million at adoption. • Amended presentation and disclosures are required prospectively. Refer to the disclosures in this Note 1, Note 3 Investment Securities, Note 4 Loans and Related Allowance for Credit Losses and Note 10 Total Equity and Other Comprehensive Income for additional information. • With the adoption of CECL, we discontinued the accounting for purchased impaired loans and elected the one-time fair value option election for some of these loans and certain residential real estate collateral dependent loans. Loans that were previously accounted for as purchased impaired where the fair value option election was not made are now accounted for as purchased credit deteriorated (PCD) loans. • There was no impact to the recorded investment of our investment securities or loans, except for our PCD loan portfolio. Accounting for these loans as PCD required an adjustment to the remaining accretable discount and recorded investment in addition to the impact on ACL due to the adoption of CECL methodology. • Refer to Table 35 for a summary of the impact of the CECL standard adoption.
Accounting Standards Update (ASU)	**Description**	**Financial Statement Impact**
Codification Improvements - ASU 2019-04 Topic 3: Codification Improvements to ASU 2017-12 and Other Hedging Items Issued April 2019	• 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 • This ASU permits a one-time transfer out of held to maturity securities to provide entities the opportunity to hedge fixed rate, prepayable securities under a last of layer hedging strategy (although an entity is not required to hedge such securities subsequent to transfer).	• Adopted January 1, 2020. • As permitted by the eligibility requirements in this guidance, at adoption we elected to transfer debt securities with an amortized cost of $16.2 billion (fair value of $16.5 billion) from held to maturity to the available for sale portfolio. The transfer resulted in a pretax increase to AOCI of $306 million. There were no other impacts to PNC's consolidated financial statements from the adoption of this guidance.
Accounting Standards Update (ASU)	**Description**	**Financial Statement Impact**
Goodwill - ASU 2017-04 Issued January 2017	• 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 reporting unit's carrying value exceeds the fair value.	• Adopted January 1, 2020. • The adoption of this standard did not impact our consolidated results of operations or our consolidated financial position.

Accounting Standards Update (ASU)	Description	Financial Statement Impact
Reference Rate Reform - ASU 2020-04 Issued March 2020	• Provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. • Includes optional expedients related to contract modifications that allow an entity to account for modifications (if certain criteria are met) as if the modifications were only minor (assets within the scope of ASC 310, *Receivables*), were not substantial (assets within the scope of ASC 470, *Debt*), and/or did not result in remeasurements or reclassifications (assets within the scope of ASC 842, *Leases*, and other Topics) of the existing contract. • Includes optional expedients related to hedging relationships within the scope of ASC 815, *Derivatives & Hedging,* whereby changes to the critical terms of a hedging relationship do not require dedesignation if certain criteria are met. In addition, potential sources of ineffectiveness as a result of reference rate reform may be disregarded when performing some effectiveness assessments. • Allows for a one-time election to sell, transfer, or both sell and transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform and that are classified as held to maturity before January 1, 2020. • Guidance in this ASU is effective as of March 12, 2020 through December 31, 2022.	• Adopted March 12, 2020, will apply prospectively. • As of June 30, 2020, we have not yet elected any optional expedients related to contract modifications or hedging relationships as outlined in this ASU. However, we plan to elect these optional expedients in the future. • During the second quarter of 2020, we elected to transfer all debt securities classified as held to maturity that are indexed to LIBOR to the available for sale portfolio. All securities were classified as held to maturity prior to January 1, 2020. These securities had an amortized cost and fair value of $49 million and $48 million, respectively, as of the transfer date. See Note 3 Investment Securities for more information.

The following table presents the impact of adopting the CECL standard on January 1, 2020 on our allowance and retained earnings.

Table 35: *Impact of the CECL Standard Adoption*

In millions	December 31, 2019	Transition Adjustment	January 1, 2020
Allowance for credit losses			
Allowance for loan and lease losses			
Commercial	$ 1,812	$ (304)	$ 1,508
Consumer	930	767	1,697
Total allowance for loan and lease losses	2,742	463	3,205
Unfunded lending related commitments	318	179	497
Other	—	19	19
Total allowance for credit losses	$ 3,060	$ 661	$ 3,721

In millions	December 31, 2019	Transition Adjustment	January 1, 2020
Impact to retained earnings (a)	$ 42,215	$ (671)	$ 41,544

(a) Transition adjustment includes the increase in the total ACL of $.7 billion and the impact of the fair value option election of $.2 billion, offset by the tax impact of $.2 billion.

Cash, Cash Equivalents and Restricted Cash

Cash and due from banks are considered cash and cash equivalents for financial reporting purposes because they represent a primary source of liquidity. Certain cash balances within Cash and due from banks on our Consolidated Balance Sheet are restricted as to withdrawal or usage by legally binding contractual agreements or regulatory requirements.

Investments

We hold interests in various types of investments. The accounting for these investments is dependent on a number of factors including, but not limited to, items such as:

- Ownership interest,
- Our plans for the investment, and
- The nature of the investment.

Debt Securities
Debt securities are recorded on a trade-date basis. We classify debt securities as either trading, held to maturity, or available for sale. Debt securities that we purchase for certain risk management activities or customer-related trading activities are classified as trading securities, are reported in the Other assets line item on our Consolidated Balance Sheet, and are carried at fair value. Realized and unrealized gains and losses on trading securities are included in Other noninterest income. We classify debt securities as held to maturity when we have the positive intent and ability to hold the securities to maturity, and carry them at amortized cost, less any allowance. Debt securities not classified as held to maturity or trading are classified as securities available for sale, and are carried at fair value. Unrealized gains and losses on available for sale securities are included in Accumulated other comprehensive income (AOCI) net of income taxes.

We include all interest on debt securities, including amortization of premiums and accretion of discounts on investment securities, in net interest income using the constant effective yield method generally calculated over the contractual lives of the securities. Effective yields reflect either the effective interest rate implicit in the security at the date of acquisition or, for debt securities where an other-than-temporary impairment was recorded, the effective interest rate determined based on improved cash flows subsequent to an impairment. We compute gains and losses realized on the sale of available for sale debt securities on a specific security basis. These securities gains/(losses) are included in Other noninterest income on the Consolidated Income Statement.

As discussed in the Recently Adopted Accounting Standards section of this Note 1, we adopted the CECL standard as of January 1, 2020, which requires expected credit losses on both held to maturity and available for sale securities to be recognized through a valuation allowance, ACL, instead of as a direct write-down to the amortized cost basis of the security. An available for sale security is considered impaired if the fair value is less than amortized cost basis. If any portion of the decline in fair value is related to credit, the amount of allowance is determined as the portion related to credit, limited to the difference between the amortized cost basis and the fair value of the security. If we have the intent to sell or believe it is more likely than not we will be required to sell an impaired available for sale security before recovery of the amortized cost basis, the credit loss is recorded as a direct write-down of the amortized cost basis. Credit losses on investment securities are recognized through the Provision for credit losses on our Consolidated Income Statement. Declines in the fair value of available for sale securities that are not considered credit related are recognized in AOCI on our Consolidated Balance Sheet. The CECL standard is applied prospectively to debt securities and, as a result, the amortized cost basis of investment securities for which OTTI had previously been recorded did not change upon adoption. For information on the policies previously applied to determine OTTI, see the Debt Securities section of Note 1 Accounting Policies in our 2019 Form 10-K.

We consider a security to be past due in terms of payment based on its contractual terms. A security may be placed on nonaccrual, with interest no longer recognized until received, when collectability of principal or interest is doubtful. As of June 30, 2020, nonaccrual or past due held-to-maturity securities were immaterial.

A security may be partially or fully charged off against the allowance if it is determined to be uncollectible, including, for an available for sale security, if we have the intent to sell or believe it is more likely than not we will be required to sell the security before recovery of the amortized cost basis. Recoveries of previously charged-off available for sale securities are recognized when received, while recoveries on held to maturity securities are recognized when expected.

See the Allowance for Credit Loss section of this Note 1 for further discussion regarding the methodologies used to determine the allowance for investment securities. See Note 3 Investment Securities for additional information about the investment securities portfolio and the related ACL.

Loans

Loans are classified as held for investment when management has both the intent and ability to hold the loan for the foreseeable future, or until maturity or payoff. Management’s intent and view of the foreseeable future may change based on changes in business strategies, the economic environment, market conditions and the availability of government programs.

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. See Note 4 Loans and Related Allowance for Credit Losses for additional information on how COVID-19 hardship related loan modifications are reported from a delinquency perspective as of June 30, 2020.

Loans held for investment, excluding PCD loans, are recorded at amortized cost basis unless we elect to measure these under the fair value option. Amortized cost basis represents principal amounts outstanding, net of unearned income, unamortized deferred fees, costs on originated loans, and premiums or discounts on purchased loans, and charge-offs. Amortized cost basis does not include accrued interest, as we include accrued interest in Other assets on our Consolidated Balance Sheet. Interest on performing loans is accrued based on the principal amount outstanding and recorded in Interest income as earned using the constant effective yield method. Loan origination fees, direct loan origination costs, and loan premiums and discounts are deferred and accreted or amortized into Net interest income using the constant effective yield method, over the contractual life of the loan. The processing fee received for loans originated under the Paycheck Protection Program (PPP) is deferred and accreted into Net interest income using the effective yield method, over the contractual life of the loan. Loans under the fair value option are reported at their fair value, with any changes to fair value reported as Noninterest income on the Consolidated Income Statement, and are excluded from measurement of ALLL.

In addition to originating loans, we also acquire loans through the secondary loan market, portfolio purchases or acquisitions of other financial services companies. Certain acquired loans that have experienced a more than significant deterioration of credit quality since origination (i.e., PCD) are recognized at an amortized cost basis equal to their purchase price plus an ALLL measured at the acquisition date. Subsequent decreases in expected cash flows that are attributable, at least in part, to credit quality are recognized through a charge to the provision for credit losses resulting in an increase in the ALLL. Subsequent increases in expected cash flows are recognized as a provision recapture of previously recorded ALLL.

We consider a loan to be collateral dependent when we determine that substantially all of the expected cash flows will be generated from the operation or sale of the collateral underlying the loan, the borrower is experiencing financial difficulty and we have elected to measure the loan at the estimated fair value of collateral (less costs to sell if sale or foreclosure of the property is expected). Additionally, we consider a loan to be collateral dependent when foreclosure or liquidation of the underlying collateral is probable.

A troubled debt restructuring (TDR) is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulty. A concession has been granted when we do not expect to collect all amounts due, including original interest accrued at the original contract rate, as a result of the restructuring, or there is a delay in payment that is more than insignificant. 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 borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us. In those situations where principal is forgiven, the amount of such principal forgiveness is immediately charged off.

Potential incremental losses or recoveries on TDRs have been factored into the ALLL estimates for each loan class under the methodologies described in this Note. Once a loan becomes a TDR, it will continue to be reported as a TDR until it is ultimately repaid in full, the collateral is foreclosed upon, or it is fully charged off.

PNC excludes consumer loans held for sale, loans accounted for under the fair value option and certain government insured or guaranteed loans from our TDR population. PCD loans that do not meet the criteria to be classified as TDRs are also excluded. In addition, PNC has elected not to apply a TDR designation to loans that have been restructured due to a COVID-19 hardship pursuant to specific criteria under the CARES Act. Since loans restructured due to a COVID-19 related hardship were not identified as TDRs, they are not placed on nonaccrual at the time of modification. However, these loans will be subject to our existing nonaccrual policy subsequent to the modification.

See the following for additional information related to loans, including further discussion regarding our policies, the methodologies and significant inputs used to determine the ALLL, and additional details on the composition of our loan portfolio:

- Nonperforming Loans and Leases section of this Note 1,
- Allowance for Credit Losses section of this Note1, and
- Note 4 Loans and Related Allowance for Credit Losses.

Loans Held for Sale

We designate loans as held for sale when we have the intent to sell them. At the time of designation to held for sale, any allowance is reversed, and a valuation allowance for the shortfall between the amortized cost basis and the net realizable value is recognized, excluding the amounts already charged off. Similarly, when loans are no longer considered held for sale, the valuation allowance (net of writedowns) is reversed, and an allowance for credit losses is established, excluding the amounts already charged-off. Write-downs on these loans (if required) are recorded as charge-offs through the valuation allowance. Adjustments to the valuation allowance on held for sale loans are recognized in Other noninterest income.

We have elected to account for certain commercial and residential mortgage loans held for sale at fair value. The changes in the fair value of the commercial mortgage loans are measured and recorded in Other noninterest income while such changes for the residential mortgage loans are measured and recorded in Residential mortgage noninterest income each period. See Note12 Fair Value for additional information.

Interest income with respect to loans held for sale is accrued based on the principal amount outstanding and the loan's contractual interest rate.

In certain circumstances, loans designated as held for sale may be transferred to held for investment based on a change in strategy. We transfer these loans at the lower of cost or estimated fair value; however, any loans originated or purchased as held for sale for which the fair value option has been elected remain at fair value for the life of the loan.

Nonperforming Loans and Leases

The matrix that follows summarizes our policies for classifying certain loans as nonperforming loans and/or discontinuing the accrual of loan interest income.

Commercial	
Loans Classified as Nonperforming and Accounted for as Nonaccrual	• Loans accounted for at amortized cost where: – The loan is 90 days or more past due. – The loan is rated substandard or worse due to the determination that full collection of principal and interest is not probable as demonstrated by the following conditions: • The collection of principal or interest is 90 days or more past due; • Reasonable doubt exists as to the certainty of the borrower's future debt service ability, according to the terms of the credit arrangement, regardless of whether 90 days have passed or not; • The borrower has filed or will likely file for bankruptcy; • The bank advances additional funds to cover principal or interest; • We are in the process of liquidating a commercial borrower; or • We are pursuing remedies under a guarantee.
Loans Excluded from Nonperforming Classification but Accounted for as Nonaccrual	• Loans accounted for under the fair value option and full collection of principal and interest is not probable. • Loans accounted for at the lower of cost or market less costs to sell (held for sale) and full collection of principal and interest is not probable.
Loans Excluded from Nonperforming Classification and Nonaccrual Accounting	• Loans that are well secured and in the process of collection. • Certain government insured loans where substantially all principal and interest is insured. • Commercial purchasing card assets which do not accrue interest.

Consumer	
Loans Classified as Nonperforming and Accounted for as Nonaccrual	• Loans accounted for at amortized cost where full collection of contractual principal and interest is not deemed probable as demonstrated in the policies below: – The loan is 90 days past due for home equity and installment loans, and 180 days past due for well secured residential real estate loans; – The loan has been modified and classified as a troubled debt restructuring (TDR); – Notification of bankruptcy has been received; – The bank holds a subordinate lien position in the loan and the first lien mortgage loan is seriously stressed (i.e., 90 days or more past due); – Other loans within the same borrower relationship have been placed on nonaccrual or charge-offs have been taken on them; – The bank has ordered the repossession of non-real estate collateral securing the loan; or – The bank has charged-off the loan to the value of the collateral.
Loans Excluded from Nonperforming Classification but Accounted for as Nonaccrual	• Loans accounted for under the fair value option and full collection of principal and interest is not probable. • Loans accounted for at the lower of cost or market less costs to sell (held for sale) and full collection of principal and interest is not probable.
Loans Excluded from Nonperforming Classification and Nonaccrual Accounting	• Certain government insured loans where substantially all principal and interest is insured. • Residential real estate loans that are well secured and in the process of collection. • Consumer loans and lines of credit, not secured by residential real estate or automobiles, as permitted by regulatory guidance.

Commercial

We generally charge off commercial (commercial and industrial, commercial real estate, and equipment lease financing) nonperforming loans when we determine that a specific loan, or portion thereof, is uncollectible. This determination is based on the specific facts and circumstances of the individual loans. In making this determination, we consider the viability of the business or project as a going concern, the past due status when the asset is not well-secured, the expected cash flows to repay the loan, the value of the collateral, and the ability and willingness of any guarantors to perform.

Additionally, in general, for smaller commercial loans of $1 million or less, a partial or full charge-off occurs at 120 days past due for term loans and 180 days past due for revolvers. Certain small business credit card balances that are placed on nonaccrual status when they become 90 days or more past due are charged-off at 180 days past due.

Consumer

We generally charge off secured consumer (home equity, residential real estate and automobile) nonperforming loans to the fair value of collateral less costs to sell, if lower than the amortized cost basis of the loan outstanding, when delinquency of the loan, combined with other risk factors (e.g., bankruptcy, lien position, or troubled debt restructuring), indicates that the loan, or some portion thereof, is uncollectible as per our historical experience, or the collateral has been repossessed. We charge-off secured consumer loans no later than 180 days past due. Most consumer loans and lines of credit, not secured by residential real estate, are charged off once they have reached 120-180 days past due.

For secured collateral dependent loans, collateral values are updated at least annually and subsequent declines in collateral values are charged-off resulting in incremental provision for credit loss. Subsequent increases in collateral values may be reflected as an adjustment to the ALLL to reflect the expectation of recoveries in an amount greater than previously expected.

Accounting for Nonperforming Assets and Leases and Other Nonaccrual Loans

For nonaccrual loans, interest income accrual and deferred fee/cost recognition is discontinued. Additionally, the current year accrued and uncollected interest is reversed through Net interest income and prior year accrued and uncollected interest is charged-off, except for credit cards, where we reverse any accrued interest through Net interest income at the time of charge-off, as per industry standard practice. Nonaccrual loans that are also collateral dependent may be charged-off to reduce the basis to the fair value of collateral less costs to sell.

If payment is received on a nonaccrual loan, generally the payment is first applied to the remaining principal balance; payments are then applied to recover any charged-off amounts related to the loan. Finally, if both principal balance and any charge-offs have been recovered, then the payment will be recorded as fee and interest income. For certain consumer loans, the receipt of interest payments is recognized as interest income on a cash basis. Cash basis income recognition is applied if a loan's amortized cost basis is deemed fully collectible and the loan has performed for at least six months.

For TDRs, payments are applied based upon their contractual terms unless the related loan is deemed non-performing. TDRs are generally included in nonperforming and nonaccrual loans. However, after a reasonable period of time, generally six months, in which the loan performs under restructured terms and meets other performance indicators, it is returned to performing/accruing status. This return to performing/accruing status demonstrates that the bank expects to collect all of the loan's remaining contractual principal and interest. TDRs resulting from (i) borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us, and (ii) borrowers that are not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

Other nonaccrual loans are generally not returned to accrual status until the borrower has performed in accordance with the contractual terms and other performance indicators for at least six months, the period of time which was determined to demonstrate the expected collection of the loan's remaining contractual principal and interest. Nonaccrual loans with partially charged-off principal are not returned to accrual. When a nonperforming loan is returned to accrual status, it is then considered a performing loan.

Foreclosed assets consist of any asset seized or property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Other real estate owned (OREO) comprises principally commercial and residential real estate properties obtained in partial or total satisfaction of loan obligations. After obtaining a foreclosure judgment, or in some jurisdictions the initiation of proceedings under a power of sale in the loan instruments, the property will be sold. When we are awarded title or completion of deed-in-lieu of foreclosure, we transfer the loan to foreclosed assets included in Other assets on our Consolidated Balance Sheet. Property obtained in satisfaction of a loan is initially recorded at estimated fair value less cost to sell. Based upon the estimated fair value less cost to sell, the amortized cost basis of the loan is adjusted and a charge-off/recovery is recognized to the ALLL. We estimate fair values primarily based on appraisals, or sales agreements with third parties. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or estimated fair value less cost to sell. Valuation adjustments on these assets and gains or losses realized from disposition of such property are reflected in Other noninterest expense.

For certain mortgage loans that have a government guarantee, we establish a separate other receivable upon foreclosure. The receivable is measured based on the loan balance (inclusive of principal and interest) that is expected to be recovered from the guarantor.

See Note 4 Loans and Related Allowance for Credit Losses in this Report for additional information on nonperforming assets, TDRs and credit quality indicators related to our loan portfolio.

Allowance for Credit Losses
Our ACL, in accordance with the CECL standard, is based on historical loss experience, borrower risk characteristics, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors. We maintain the ACL at an appropriate level for expected losses on our existing investment securities, loans, finance leases (including residual values), other financial assets and unfunded lending related commitments, for the estimated contractual term of the assets or exposures as of the balance sheet date. We estimate the estimated contractual term of assets in scope of CECL considering contractual maturity dates, prepayment expectations, utilization or draw expectations and any embedded extension options that do not allow us to unilaterally cancel the extension options. For products without a fixed contractual maturity date (*e.g*., credit cards), we rely on historical payment behavior to determine the length of the pay down or default time period.

We estimate expected losses on a pooled basis using a combination of (i) the expected losses over a reasonable and supportable forecast period (RSFP), (ii) a period of reversion to long run average (LRA) expected losses (reversion period) where applicable, and (iii) the LRA expected losses for the remaining estimated contractual term. For all assets and unfunded lending related commitments in the scope of CECL, the ACL also includes individually assessed reserves and qualitative reserves, as applicable.

We use forward-looking information in estimating expected credit losses for the RSFP. For this purpose, we use the forecasted scenarios produced by PNC's Economics Team, which are designed to reflect business cycles and their related estimated probabilities. The forecast length that we have determined to be reasonable and supportable is three years. As noted in the methodology discussions that follow, forward looking information is incorporated into the expected credit loss estimates. Such forward looking information includes forecasted relevant macroeconomic variables, which are estimated using qualitative techniques, analysis from PNC economists and management judgment.

The reversion period is used to bridge RSFP and LRA expected credit losses. We may consider a number of factors in determining the duration of the reversion period, such as contractual maturity of the asset, observed historical patterns and the estimated credit loss rates at the end of RSFP relative to the beginning of the LRA period.

The LRA expected credit losses are derived from long run historical credit loss information adjusted for the credit quality of the current portfolio, and therefore do not consider current and forecasted economic conditions.

See the following sections related to investment securities, loans, trade receivables, other financial assets and unfunded lending related commitments for details about specific methodologies.

Allowance for Investment Securities
A significant portion of our investment securities are issued or guaranteed by either the U.S. government (U.S. Treasury or Government National Mortgage Association (GNMA)) or a government-sponsored agency (Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)). Taking into consideration historical information and current and forecasted conditions, we do not expect to incur any credit losses on these securities.

Investment securities that are not issued or guaranteed by the U.S. government or a government-sponsored agency consist of both securitized products, such as non-agency mortgage and asset-backed securities, as well as non-securitized products, such as corporate and municipal debt securities. A discounted cash flow approach is primarily used to determine the amount of the allowance required. The estimates of expected cash flows are determined using macroeconomic sensitive models taking into consideration the RSFP and scenarios discussed above. Additional factors unique to a specific security may also be taken into consideration when estimating expected cash flows. The cash flows expected to be collected, after considering expected prepayments, are discounted at the effective interest rate. For an available-for-sale security, the amount of the allowance is limited to the difference between the amortized cost basis of the security and its estimated fair value.

See Note 3 Investment Securities in this Report for additional information about the investment securities portfolio.

Allowance for Loan and Lease Losses
Our pooled expected loss methodology is based upon the quantification of risk parameters, such as probability of default (PD), loss given default (LGD) and exposure at default (EAD) for a loan or loan segment. We also consider the impact of prepayments and amortization on contractual maturity in our expected loss estimates. We use historical credit loss information, current borrower risk characteristics and forecasted economic variables for the RSFP, coupled with analytical methods, to estimate these risk parameters by loan or loan segments. PD, LGD and EAD parameters are calculated for each forecasted scenario and the LRA period, and combined to generate expected loss estimates by scenario. The following matrix provides key credit risk characteristics that we use to estimate these risk parameters.

Loan Class	Probability of Default (PD)	Loss Given Default (LGD)	Exposure at Default (EAD)
Commercial			
Commercial and industrial / Equipment lease financing	• For wholesale obligors: internal risk ratings based on borrower characteristics and industry • For retail small balance obligors: credit score, delinquency status, and product type	• Collateral type, collateral value, industry, size and outstanding exposure for secured loans • Capital structure, industry and size for unsecured loans • Product type and credit scores	• Outstanding balances, contractual maturities and historical prepayment experience for loans • Current utilization and historical pre-default draw experience for lines
Commercial real estate	• Property performance metrics and capitalization rates for RSFP • Internal risk ratings based on borrower characteristics for LRA	• Property values and anticipated liquidation costs	• Commitment and historical prepayment experience
Consumer			
Home equity / Residential real estate	• Borrower credit scores, delinquency rates, origination vintage, loan-to-value (LTV) ratios and contractual maturity	• Collateral characteristics, LTV and costs to sell	• Outstanding balances, contractual maturities and historical prepayment experience for loans • Current utilization and historical pre-default draw experience for lines
Automobile	• Borrower credit scores, borrower income, LTV and contractual maturity	• New vs. used, LTV and borrower credit scores	• Outstanding balances, contractual maturities and historical prepayment experience
Credit card	• Borrower credit scores, delinquency status, utilization, payment behavior and months on book	• Borrower credit scores and credit line amount	• Pay-down curves are developed using a pro-rata method and estimated using borrower behavior segments, payment ratios and borrower credit scores
Education / Other consumer	• Net charge-off and pay-down rates by vintage are used to estimate expected losses in lieu of discrete risk parameters		

The following matrix describes the key economic variables that are consumed during the RSFP by loan class, as well as other assumptions that are used for our reversion and LRA approaches.

Loan Class	RSFP - Key Economic Variables	Reversion Method	LRA Approach
Commercial			
Commercial and industrial / Equipment lease financing	• Gross Domestic Product and Gross Domestic Income measures, imports, employment related variables, House Price Index (HPI), credit spreads, personal income and consumption measures and stock market indices	• Immediate reversion	• Average parameters determined based on internal and external historical data • Modeled parameters using long run economic conditions for retail small business obligors
Commercial real estate	• Unemployment rates, Commercial Property Price Index, GDP, corporate bond yield and interest rates	• Immediate reversion	• Average parameters determined based on internal and external historical data
Consumer			
Home equity / Residential real estate	• Unemployment rates, HPI and interest rates	• Straight-line over 3 years	• Modeled parameters using long run economic conditions
Automobile	• Unemployment rates, HPI, personal consumption expenditure, interest rates, Manheim used car index and domestic oil prices	• Straight-line over 1 year	• Average parameters determined based on internal and external historical data
Credit card	• Unemployment rate, personal consumption expenditure, and HPI	• Straight-line over 2 years	• Modeled parameters using long run economic conditions
Education / Other consumer	• Net charge-off and pay-down rates by vintage are used to estimate expected losses in lieu of discrete risk parameters		

After the RSFP, we revert to the LRA over the reversion period noted above, which is the period between the end of the RSFP and when losses are estimated to have completely reverted to the LRA.

Once we have developed a combined estimate of credit losses (i.e., for the RSFP, reversion period and LRA) under each of the forecasted scenarios, we produce a probability-weighted credit loss estimate by loan class. We then add or deduct any qualitative components and other adjustments, such as individually assessed loans, to produce the ALLL. See the Individually Assessed Component and Qualitative Component sections of this Note 1 for additional information about those adjustments.

Discounted Cash Flow
In addition to TDRs, we also use a discounted cash flow methodology for our home equity and residential real estate loan classes. We determine effective interest rates considering contractual cash flows adjusted for estimated prepayments. Changes in the ALLL due to the impact of the passage of time under the discounted cash flow estimate are recognized through the provision for credit losses.

Individually Assessed Component
Loans and leases that do not share similar risk characteristics with a pool of loans are individually assessed as follows:

- For commercial nonperforming loans greater than or equal to a defined dollar threshold, reserves are based on an analysis of the present value of the loan’s expected future cash flows or the fair value of the collateral, if appropriate under our policy for collateral dependent loans. Nonperforming commercial loans below the defined threshold and accruing TDRs are reserved for under a pooled basis.
- For consumer nonperforming loans classified as collateral dependent, charge-off and ALLL related to recovery of amounts previously charged-off are evaluated through an analysis of the fair value of the collateral less costs to sell.

Qualitative Component
While our reserve methodologies strive to reflect all relevant credit risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between expected and actual outcomes. We may hold additional reserves that are designed to provide coverage for losses

attributable to such risks. The ACL also takes into account factors that may not be directly measured in the determination of individually assessed or pooled reserves. Such qualitative factors may include, but are not limited to:

- Industry concentrations and conditions,
- Changes in market conditions, including regulatory and legal requirements,
- Changes in the nature and volume of our portfolio,
- Recent credit quality trends, including the impact of COVID-19 hardship related loan modifications,
- Recent loss experience in particular portfolios, including specific and unique events,
- Recent macro-economic factors that may not be reflected in the forecast information,
- Limitations of available data, including historical loss information and recent data such as collateral values,
- Model imprecision,
- Changes in lending policies and procedures, including changes in loss recognition and mitigation policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Other relevant factors

See Note 4 Loans and Related Allowance for Credit Losses for additional information about our loan portfolio and the related allowance.

Accrued Interest
When accrued interest is reversed or charged-off in a timely manner the CECL standard provides a practical expedient to exclude accrued interest from ACL measurement. We consider our nonaccrual and charge-off policies to be timely for all of our investment securities, loans and leases, with the exception of consumer credit cards, education loans and certain unsecured consumer lines of credit. We consider the length of time before nonaccrual/charge-off and the use of appropriate other triggering events for nonaccrual and charge-offs in making this determination. Pursuant to these policy elections, we calculate reserves for accrued interest on credit cards, education loans and certain consumer lines of credit, which are then included within the ALLL. See the Debt Securities and Nonperforming Loans and Leases sections of this Note 1 for additional information on our nonaccrual and charge-off policies.

Additionally, pursuant to our use of a discounted cash flow methodology in estimating credit losses for our home equity and residential real estate loan classes, applicable reserves for accrued interest are also included within the ALLL for these loan classes.

Purchased Credit Deteriorated Loans or Securities
The allowance for PCD loans or securities is determined at the time of acquisition, as the estimated expected credit loss of the outstanding balance or par value, based on the methodologies described previously for loans and securities. In accordance with CECL, the allowance recognized at acquisition is added to the acquisition date purchase price to determine the asset's amortized cost basis.

Allowance for Unfunded Lending Related Commitments
We maintain the allowance for unfunded lending related commitments on off-balance sheet credit exposures that are not unconditionally cancelable (e.g., unfunded loan commitments, letters of credit and certain financial guarantees), at a level we believe is appropriate as of the balance sheet date to absorb expected credit losses on these exposures. Other than the estimation of the probability of funding, this reserve is estimated in a manner similar to the methodology used for determining reserves for loans and leases. The allowance for unfunded lending related commitments is recorded as a liability on the Consolidated Balance Sheet. Net adjustments to this reserve are included in the provision for credit losses.

See Note 4 Loans and Related Allowance for Credit Losses for additional information about this allowance.

Allowance for Other Financial Assets
We determine the allowance for other financial assets (e.g., trade receivables, servicing advances on PNC-owned loans, balances with banks) considering historical loss information and other available indicators. In certain cases where there are no historical, current or forecast indicators of an expected credit loss, we may estimate the reserve to be close to zero. As of June 30, 2020, the allowance for other financial assets was immaterial.

Goodwill

Goodwill arising from business acquisitions represents the value attributable to unidentifiable intangible elements in the business acquired. At least annually, in the fourth quarter, or more frequently if events occur or circumstances have changed significantly from the annual test date, management performs our goodwill impairment test at a reporting unit level.

PNC has the ability to first perform a qualitative analysis to evaluate whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If, after considering all relevant events and circumstances, PNC determines it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative impairment test is not necessary. If PNC elects to bypass the qualitative analysis, or concludes via qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, a quantitative goodwill impairment test is performed. Inputs are generated and used in calculating the fair value of the reporting unit, which is compared to its carrying amount. The fair value of our reporting units is determined by using discounted cash flows and/or market comparability methodologies. If the fair value is greater than the carrying amount, then the reporting unit's goodwill is deemed not to be impaired. If the fair value is less than the carrying amount, an entity should recognize an impairment charge for the amount by which the carrying amount of goodwill exceeds the reporting unit’s fair value. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

NOTE 2 DISCONTINUED OPERATIONS

On May 15, 2020, PNC completed the sale of its31.6 million shares of BlackRock, Inc., common and preferred stock through a registered secondary offering at a price of $420 per share. In addition, BlackRock repurchased 2.65 million shares from PNC at a price of$414.96 per share. The total proceeds from the sale were$14.2 billion in cash, net of $.2 billion in expenses, and resulted in a gain on sale of$4.3 billion. Additionally, PNC contributed 500,000 BlackRock shares to the PNC Foundation on May 18, 2020.

Following the sale and donation, PNC has divested its entire investment in BlackRock. PNC and its affiliates only hold shares of BlackRock stock in a fiduciary capacity for clients of PNC and its affiliates.

The following table summarizes the results from the discontinued operations of BlackRock included in the Consolidated Income Statement:

Table 36: Consolidated Income Statement - Discontinued Operations

	Three months ended June 30		Six months ended June 30	
In millions	2020	2019	2020	2019
Noninterest income	$ 5,596	$ 224	$ 5,777	$ 449
Total revenue	5,596	224	5,777	449
Income from discontinued operations before income taxes and noncontrolling interests	5,596	224	5,777	449
Income taxes	1,197	35	1,222	71
Net income from discontinued operations	$ 4,399	$ 189	$ 4,555	$ 378

The following table summarizes the cash flows of discontinued operations of BlackRock included in the Consolidated Statement of Cash Flows:

Table 37: Consolidated Statement of Cash Flows - Discontinued Operations

	Six months ended June 30	
In millions	2020	2019
Cash flows from discontinued operations		
Net cash provided (used) by operating activities of discontinued operations	$ 74	$ 159
Net cash provided by investing activities of discontinued operations	$ 14,225	

NOTE 3 INVESTMENT SECURITIES

With the adoption of the CECL standard on January 1, 2020, credit losses on investment securities are required to be recognized through an allowance, instead of as a direct write-down to the amortized cost basis of the security. The amortized cost basis of investment securities for which impairment had previously been recorded did not change upon adoption.

We maintain the allowance for investment securities at levels that we believe to be appropriate as of the balance sheet date to absorb expected credit losses on our portfolio. As of June 30, 2020, the allowance for investment securities was$32 million and related to non-agency commercial mortgage-backed securities and other debt securities. The provision for credit losses on investment securities totaled $30 million for both the three and six months endedJune 30, 2020.

In the first quarter of 2020, upon the adoption of ASU 2019-04, we elected to transfer debt securities with an amortized cost of$16.2 billion and a fair value of$16.5 billion from held to maturity to the available for sale portfolio. During the second quarter of 2020, pursuant to the guidance in ASU 2020-04, we elected to transfer debt securities with an amortized cost of $49 million and a fair value of$48 million from the held to maturity to the available for sale portfolio.

See Note 1 Accounting Policies for additional information related to the adoption of the CECL standard, including the methodologies used to determine the allowance for investment securities, and the adoption of ASU 2019-04 and ASU 2020-04.
The following table summarizes our available for sale and held to maturity portfolios by major security type.

Table 38: Investment Securities Summary

	June 30, 2020 (a)				December 31, 2019			
		Unrealized				Unrealized		
In millions	Amortized Cost (b)	Gains	Losses	Fair Value	Amortized Cost	Gains	Losses	Fair Value
Securities Available for Sale								
U.S. Treasury and government agencies	$ 19,255	$ 933		$ 20,188	$ 16,150	$ 382	$ (16)	$ 16,516
Residential mortgage-backed								
Agency	55,630	1,860	$ (10)	57,480	35,847	517	(43)	36,321
Non-agency	1,472	225	(15)	1,682	1,515	302	(3)	1,814
Commercial mortgage-backed								
Agency	3,002	141	(3)	3,140	3,094	42	(18)	3,118
Non-agency	4,134	57	(152)	4,039	3,352	29	(9)	3,372
Asset-backed	5,312	96	(40)	5,368	5,044	78	(8)	5,114
Other	4,856	301	(2)	5,155	2,788	121	(1)	2,908
Total securities available for sale (b)	$ 93,661	$ 3,613	$ (222)	$ 97,052	$ 67,790	$ 1,471	$ (98)	$ 69,163
Securities Held to Maturity								
U.S. Treasury and government agencies	$ 785	$ 146		$ 931	$ 776	$ 56		$ 832
Residential mortgage-backed								
Agency					14,419	270	$ (26)	14,663
Non-agency					133	7		140
Commercial mortgage-backed								
Agency					59	1		60
Non-agency					430	4		434
Asset-backed					52			52
Other	656	42	$ (14)	684	1,792	85	(14)	1,863
Total securities held to maturity (b) (c)	$ 1,441	$ 188	$ (14)	$ 1,615	$ 17,661	$ 423	$ (40)	$ 18,044

(a) The accrued interest associated with our available for sale and held to maturity portfolios totaled $270 million and $5 million at June 30, 2020, respectively. These amounts are included in Other assets on the Consolidated Balance Sheet.
(b) Amortized cost is presented net of allowance of $30 million for securities available for sale and $2 million for securities held to maturity at June 30, 2020 in accordance with the adoption of the CECL accounting standard. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies for additional detail on the adoption of this ASU.
(c) Credit ratings represent a primary credit quality indicator used to monitor and manage credit risk. As of June 30, 2020, 84% of our securities held to maturity were rated AAA/AA.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Securities available for sale are carried at fair value with net unrealized gains and losses included in Shareholders' equity as AOCI, unless credit related. Net unrealized gains and losses are determined by taking the difference between the fair value of a security and its amortized cost, net of any allowance. Securities held to maturity are carried at amortized cost less any allowance. Investment securities at June 30, 2020 included $347 million of net unsettled purchases which represent non-cash investing activity, and accordingly, are not reflected on the Consolidated Statement of Cash Flows. The comparable amount for June 30, 2019 was $2.0 billion.

Table 39 presents the gross unrealized losses and fair value of securities available for sale that do not have an associated allowance for investment securities as of June 30, 2020. These securities are segregated between investments that had 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. All securities included in the table have been evaluated to determine if a credit loss exists. As part of that assessment, as of June 30, 2020, we concluded that we do not intend to sell and believe we will not be required to sell these securities prior to recovery of the amortized cost basis.

Table 39: Gross Unrealized Loss and Fair Value of Securities Available for Sale Without an Allowance for Credit Losses

	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
In millions	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
June 30, 2020						
Residential mortgage-backed						
Agency	$ (7)	$ 2,124	$ (3)	$ 249	$ (10)	$ 2,373
Non-agency	(8)	213	(6)	81	(14)	294
Commercial mortgage-backed						
Agency			(3)	136	(3)	136
Non-agency	(61)	2,107	(2)	71	(63)	2,178
Asset-backed	(18)	969	(22)	616	(40)	1,585
Other	(1)	100	(1)	35	(2)	135
Total securities available for sale	$ (95)	$ 5,513	$ (37)	$ 1,188	$ (132)	$ 6,701

Table 40 presents the gross unrealized losses and fair value of debt securities at December 31, 2019, prior to the adoption of the CECL standard. These securities are segregated between investments that had 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.

Table 40: Gross Unrealized Loss and Fair Value of Debt Securities

	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
In millions	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
December 31, 2019						
Securities Available for Sale						
U.S. Treasury and government agencies	$ (14)	$ 2,451	$ (2)	$ 607	$ (16)	$ 3,058
Residential mortgage-backed						
Agency	(6)	2,832	(37)	4,659	(43)	7,491
Non-agency			(3)	102	(3)	102
Commercial mortgage-backed						
Agency	(6)	852	(12)	953	(18)	1,805
Non-agency	(4)	1,106	(5)	230	(9)	1,336
Asset-backed	(3)	660	(5)	561	(8)	1,221
Other			(1)	403	(1)	403
Total securities available for sale	$ (33)	$ 7,901	$ (65)	$ 7,515	$ (98)	$ 15,416
Securities Held to Maturity						
Residential mortgage-backed - Agency			$ (26)	$ 2,960	$ (26)	$ 2,960
Other	$ (1)	$ 22	(13)	105	(14)	127
Total securities held to maturity	$ (1)	$ 22	$ (39)	$ 3,065	$ (40)	$ 3,087

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

Table 41: 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)
2020	$ 224	$ (2)	$ 222	$ 47
2019	$ 47	$ (15)	$ 32	$ 7

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at June 30, 2020.

Table 42: Contractual Maturity of Debt Securities

June 30, 2020 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	$ 5,647	$ 9,172	$ 3,516	$ 920	$ 19,255
Residential mortgage-backed					
Agency	2	112	1,220	54,296	55,630
Non-agency				1,472	1,472
Commercial mortgage-backed					
Agency		459	265	2,278	3,002
Non-agency		75	301	3,758	4,134
Asset-backed	66	2,603	1,039	1,604	5,312
Other	607	1,794	1,108	1,347	4,856
Total securities available for sale at amortized cost	$ 6,322	$ 14,215	$ 7,449	$ 65,675	$ 93,661
Fair value	$ 6,341	$ 14,801	$ 7,823	$ 68,087	$ 97,052
Weighted-average yield, GAAP basis (a)	0.75%	2.08%	2.12%	2.97%	2.62%
Securities Held to Maturity					
U.S. Treasury and government agencies		$ 198	$ 306	$ 281	$ 785
Other	$ 18	403	120	115	656
Total securities held to maturity at amortized cost	$ 18	$ 601	$ 426	$ 396	$ 1,441
Fair value	$ 18	$ 638	$ 515	$ 444	$ 1,615
Weighted-average yield, GAAP basis (a)	2.94%	3.23%	3.93%	2.66%	3.30%

(a) Weighted-average yields are based on amortized cost with effective yields weighted for the contractual maturity of each security.

At June 30, 2020, there were no securities of a single issuer, other than FNMA and FHLMC, that exceeded 10% of total shareholders' equity. The FNMA and FHLMC investments had a total amortized cost of $39.6 billion and $10.6 billion and fair value of $41.1 billion and $10.9 billion, respectively.

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

Table 43: Fair Value of Securities Pledged and Accepted as Collateral

In millions	June 30 2020	December 31 2019
Pledged to others	$ 23,528	$ 14,609
Accepted from others:		
Permitted by contract or custom to sell or repledge (a)	$ 1,944	$ 2,349
Permitted amount repledged to others	$ 1,944	$ 360

(a) Balances at December 31, 2019 include $2.0 billion in fair value of securities accepted from others to collateralize short-term investments in resale agreements that were not repledged.

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 4 Loans and Related Allowance for Credit Losses

Loan Portfolio

Our loan portfolio consists of two portfolio segments – Commercial and Consumer. Each of these segments comprises multiple loan classes. Classes are characterized by similarities in risk attributes and the manner in which we monitor and assess credit risk.

Commercial	Consumer
• Commercial and industrial • Commercial real estate • Equipment lease financing	• Home equity • Residential real estate • Automobile • Credit card • Education • Other consumer

See Note 1 Accounting Policies for additional information on our loan related policies.

Credit Quality

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk within the loan portfolio based on our defined loan classes. In doing so, we use several credit quality indicators, including trends in delinquency rates, nonperforming status, analysis of PD and LGD ratings, updated credit scores, and originated and updated LTV ratios.

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. With the adoption of the CECL standard, accruing loans past due as of June 30, 2020 include PCD loans, while amounts as of December 31, 2019 excluded purchased impaired loans. See Note 1 Accounting Policies for additional information related to the adoption of this standard, including the discontinuation of purchased impaired loan accounting.

The following table presents the composition and delinquency status of our loan portfolio atJune 30, 2020 and December 31, 2019. Pursuant to the interagency guidance issued in April 2020 and in connection with the credit reporting rules from the CARES Act, the delinquency status of loans modified due to COVID-19 related hardships are being reported as of June 30, 2020 in alignment with the rules set forth for banks to report delinquency status to the credit agencies. These rules require that COVID-19 related loan modifications be reported as follows: (i) if current at the time of modification, the loan remains current throughout the modification period, (ii) if delinquent at the time of modification and the borrower was not made current as part of the modification, the loan maintains its reported as delinquent status during the modification period, or (iii) if delinquent at the time of modification and the borrower was made current as part of the modification or became current during the modification period, the loan is reported as current. As a result, certain loans modified due to COVID-19 related hardships are not being reported as past due as of June 30, 2020 based on the contractual terms of the loan, even where borrowers may not be making payments on their loans during the modification period.

Table 44: Analysis of Loan Portfolio

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	Total Past Due (c)	Nonperforming Loans	Fair Value Option Nonaccrual Loans (d)	Total Loans (e)(f)
June 30, 2020 (a) (b)								
Commercial								
Commercial and industrial	$ 143,531	$ 49	$ 28	$ 34	$ 111	$ 693		$ 144,335
Commercial real estate	28,665	51	4		55	43		28,763
Equipment lease financing	7,058	8	9		17	22		7,097
Total commercial	179,254	108	41	34	183	758		180,195
Consumer								
Home equity	24,089	70	27		97	636	$ 57	24,879
Residential real estate	21,141	198	93	264	555 (c)	305	468	22,469
Automobile	15,843	105	34	19	158	156		16,157
Credit card	6,408	53	38	61	152	15		6,575
Education	3,004	39	23	66	128 (c)			3,132
Other consumer	4,786	17	8	12	37	6		4,829
Total consumer	75,271	482	223	422	1,127	1,118	525	78,041
Total	$ 254,525	$ 590	$ 264	$ 456	$ 1,310	$ 1,876	$ 525	$ 258,236
Percentage of total loans	98.56%	.23%	.10%	.18%	.51%	.73%	.20%	100.00%

(a) Amounts in table represent loans held for investment and do not include any associated valuation allowance.
(b) The accrued interest associated with our loan portfolio at June 30, 2020 totaled $.7 billion and is included in Other assets on the Consolidated Balance Sheet.
(c) Past due loan amounts include government insured or guaranteed Residential real estate loans and Education loans totaling $.4 billion and $.1 billion, respectively, at June 30, 2020.
(d) 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.
(e) Net of unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans totaling $1.6 billion at June 30, 2020.
(f) Collateral dependent loans totaled $1.1 billion at June 30, 2020. The majority of these loans are within the Home equity and Residential real estate loan classes and are secured by consumer real estate.

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	Total Past Due (h)	Nonperforming Loans	Fair Value Option Nonaccrual Loans (i)	Purchased Impaired Loans	Total Loans (j)
December 31, 2019 (g)									
Commercial									
Commercial and industrial	$ 124,695	$ 102	$ 30	$ 85	$ 217	$ 425			$ 125,337
Commercial real estate	28,061	4	1		5	44			28,110
Equipment lease financing	7,069	49	5		54	32			7,155
Total commercial	159,825	155	36	85	276	501			160,602
Consumer									
Home equity	23,791	58	24		82	669		$ 543	25,085
Residential real estate	19,640	140	69	315	524 (h)	315	$ 166	1,176	21,821
Automobile	16,376	178	47	18	243	135			16,754
Credit card	7,133	60	37	67	164	11			7,308
Education	3,156	55	34	91	180 (h)				3,336
Other consumer	4,898	15	11	9	35	4			4,937
Total consumer	74,994	506	222	500	1,228	1,134	166	1,719	79,241
Total	$ 234,819	$ 661	$ 258	$ 585	$ 1,504	$ 1,635	$ 166	$ 1,719	$ 239,843
Percentage of total loans	97.90%	.28%	.11%	.24%	.63%	.68%	.07%	.72%	100.00%

(g) Amounts in table represent recorded investment and exclude loans held for sale. Recorded investment does not include any associated valuation allowance.
(h) 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 accreted interest income over the expected life of the loans. Past due loan amounts include government insured or guaranteed Residential real estate loans totaling $.4 billion and Education loans totaling $.2 billion at December 31, 2019.
(i) 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.
(j) Net of unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans totaling $1.1 billion at December 31, 2019.

At June 30, 2020, we pledged $34.3 billion of commercial loans to the Federal Reserve Bank and $70.2 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, 2019 were $16.9 billion and $68.0 billion, respectively. Amounts pledged reflect the unpaid principal balances.

Nonperforming Assets

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, 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.

With the adoption of the CECL standard, nonperforming loans as of June 30, 2020 include PCD loans. Amounts as of December 31, 2019 excluded purchased impaired loans as we were accreting interest income over the expected life of the loans. See Note 1 Accounting Policies for additional information related to the adoption of this standard and our nonperforming loan and lease policies.

The following table presents our nonperforming assets as of June 30, 2020 and December 31, 2019, respectively.

Table 45: Nonperforming Assets

Dollars in millions	June 30 2020	December 31 2019
Nonperforming loans		
Commercial	$ 758	$ 501
Consumer (a)	1,118	1,134
Total nonperforming loans (b)	1,876	1,635
OREO and foreclosed assets	79	117
Total nonperforming assets	$ 1,955	$ 1,752
Nonperforming loans to total loans	.73%	.68%
Nonperforming assets to total loans, OREO and foreclosed assets	.76%	.73%
Nonperforming assets to total assets	.43%	.43%

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Nonperforming loans for which there is no related ALLL totaled $.6 billion at June 30, 2020, and is primarily comprised of loans with a valuation that exceeds the amortized cost basis.

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 TDRs. See Note 1 Accounting Policies and the TDR section of this Note 4 for additional information on TDRs.

Total nonperforming loans in Table 45 include TDRs of $.9 billion at both June 30, 2020 and December 31, 2019. TDRs that are performing, including consumer credit card TDR loans, totaled $.7 billion and $.8 billion at June 30, 2020 and December 31, 2019, respectively, and are excluded from nonperforming loans.

Additional Credit Quality Indicators by Loan Class

<u>Commercial and Industrial</u>

For commercial and industrial loans, we monitor the performance of the borrower in a disciplined and regular manner based upon the level of credit risk inherent in the loan. To evaluate the level of credit risk, we assign an internal risk rating reflecting the borrower's PD and LGD. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process. These ratings are reviewed and updated, generally at least once per year. For small balance homogeneous pools of commercial and industrial loans, mortgages and leases, we apply scoring techniques to assist in determining the PD. Further, on a periodic basis, we update our LGD estimates associated with each rating grade based upon historical data. The combination of the PD and LGD ratings assigned to commercial and industrial loans, capturing both the combination of expectations of default and loss severity in event of default, reflects credit quality characteristics as of the reporting date and are used as inputs into our loss forecasting process.

Based upon the amount of the lending arrangement and our risk rating assessment, we follow a formal schedule of written periodic review. Quarterly, we conduct formal reviews of a market's or business unit's loan portfolio, focusing on those loans which we perceive to be of higher risk, based upon PDs and LGDs, or loans for which credit quality is weakening. If circumstances warrant, it is our practice to review any customer obligation and its level of credit risk more frequently. We attempt to proactively manage our loans by using various procedures that are customized to the risk of a given loan, including ongoing outreach, contact, and assessment of obligor financial conditions, collateral inspection and appraisal.

Commercial Real Estate
We manage credit risk associated with our commercial real estate projects and commercial mortgages similar to commercial and industrial loans by evaluating PD and LGD. Risks associated with commercial real estate projects and commercial mortgage activities tend to be correlated to the loan structure and collateral location, project progress and business environment. As a result, these attributes are also monitored and utilized in assessing credit risk.

As with the commercial and industrial loan class, a formal schedule of periodic review is also performed to assess market/geographic risk and business unit/industry risk. Often as a result of these overviews, more in-depth reviews and increased scrutiny are placed on areas of higher risk, such as adverse changes in risk ratings, deteriorating operating trends, and/or areas that concern management. These reviews are designed to assess risk and facilitate actions to mitigate such risks.

Equipment Lease Financing
We manage credit risk associated with our equipment lease financing loan class similar to commercial and industrial loans by analyzing PD and LGD.

Based upon the dollar amount of the lease and the level of credit risk, we follow a formal schedule of periodic review. Generally, this occurs quarterly, although we have established practices to review such credit risk more frequently if circumstances warrant. Our review process entails analysis of the following factors: equipment value/residual value, exposure levels, jurisdiction risk, industry risk, guarantor requirements, and regulatory compliance as applicable.

Table 46: Commercial Credit Quality Indicators (a)

	Term Loans by Origination Year								
June 30, 2020 - In millions	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Commercial and industrial									
Pass Rated	$ 24,271	$ 17,179	$ 10,823	$ 7,171	$ 5,013	$ 11,039	$ 60,961	$ 59	$ 136,516
Criticized	218	524	656	463	247	517	5,177	17	7,819
Total commercial and industrial	24,489	17,703	11,479	7,634	5,260	11,556	66,138	76	144,335
Commercial real estate									
Pass Rated	1,797	7,027	4,054	3,652	2,734	8,347	216		27,827
Criticized	3	73	26	64	252	422	96		936
Total commercial real estate	1,800	7,100	4,080	3,716	2,986	8,769	312		28,763
Equipment lease financing									
Pass Rated	736	1,385	1,179	969	631	1,909			6,809
Criticized	15	87	97	39	19	31			288
Total equipment lease financing	751	1,472	1,276	1,008	650	1,940			7,097
Total commercial	$ 27,040	$ 26,275	$ 16,835	$ 12,358	$ 8,896	$ 22,265	$ 66,450	$ 76	$ 180,195

December 31, 2019 - In millions	Pass Rated	Criticized	Total Loans
Commercial and industrial	$ 119,761	$ 5,576	$ 125,337
Commercial real estate	27,424	686	28,110
Equipment lease financing	6,891	264	7,155
Total commercial	$ 154,076	$ 6,526	$ 160,602

(a) Loans in our commercial portfolio are classified as Pass Rated or Criticized based on the regulatory definitions, which are driven by the PD and LGD ratings that we assign. The Criticized classification includes loans that were rated special mention, substandard or doubtful as of June 30, 2020 and December 31, 2019.

Home Equity and Residential Real Estate
We use several credit quality indicators, including delinquency information, nonperforming loan information, updated credit scores, originated and updated LTV ratios to monitor and manage credit risk within the home equity and residential real estate loan classes. A summary of credit quality indicators follows:

Delinquency/Delinquency Rates: We monitor trending of delinquency/delinquency rates for home equity and residential real estate loans. See Table44 for additional information.

Nonperforming Loans: We monitor trending of nonperforming loans for home equity and residential real estate loans. See Table44 for additional information.

Credit Scores: We use a national third-party provider to update FICO credit scores for home equity and residential real estate loans at least quarterly. The updated scores are incorporated into a series of credit management reports, which are utilized to monitor the risk in the loan classes.

LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions): At least annually, we update the property values of real estate collateral and calculate an updated LTV ratio. For open-end credit lines secured by real estate in regions experiencing significant declines in property values, more frequent valuations may occur. We examine LTV migration and stratify LTV into categories to monitor the risk in the loan classes.

We use a combination of original LTV and updated LTV for internal risk management and reporting purposes (*e.g.*, line management, loss mitigation strategies). In addition to the fact that estimated property values by their nature are estimates, given certain data limitations it is important to note that updated LTVs may be based upon management's assumptions (*i.e.*, if an updated LTV is not provided by the third-party service provider, HPI changes will be incorporated in arriving at management's estimate of updated LTV).

Updated LTV is estimated using modeled property values. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models, broker price opinions, HPI indices, property location, internal and external balance information, origination data and management assumptions. We generally utilize origination lien balances provided by a third-party, where applicable, which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of the calculations do not represent actual appraised loan level collateral or updated LTV based upon lien balances held by others, and as such, are necessarily imprecise and subject to change as we refine our methodology.

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

Table 47: Home Equity and Residential Real Estate Credit Quality Indicators

	Term Loans by Origination Year								
June 30, 2020 – In millions	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Home equity									
Current estimated LTV ratios									
Greater than or equal to 100%		$ 33	$ 26	$ 24	$ 14	$ 127	$ 677	$ 365	$ 1,266
Greater than or equal to 90% to less than 100%	$ 4	77	32	16	12	82	693	247	1,163
Less than 90%	1,779	2,363	688	972	818	4,563	8,177	3,090	22,450
Total home equity	$ 1,783	$ 2,473	$ 746	$ 1,012	$ 844	$ 4,772	$ 9,547	$ 3,702	$ 24,879
Updated FICO scores									
Greater than 660	$ 1,738	$ 2,353	$ 685	$ 949	$ 792	$ 4,287	$ 9,085	$ 2,832	$ 22,721
Less than or equal to 660	45	120	61	62	51	475	449	780	2,043
No FICO score available				1	1	10	13	90	115
Total home equity	$ 1,783	$ 2,473	$ 746	$ 1,012	$ 844	$ 4,772	$ 9,547	$ 3,702	$ 24,879
Residential real estate									
Current estimated LTV ratios									
Greater than or equal to 100%		$ 19	$ 44	$ 68	$ 52	$ 226			$ 409
Greater than or equal to 90% to less than 100%	$ 7	54	57	55	43	131			347
Less than 90%	3,872	5,526	1,598	2,475	2,535	5,128			21,134
Government insured or guaranteed loans	1	10	13	17	26	512			579
Total residential real estate	$ 3,880	$ 5,609	$ 1,712	$ 2,615	$ 2,656	$ 5,997			$ 22,469
Updated FICO scores									
Greater than 660	$ 3,858	$ 5,530	$ 1,655	$ 2,538	$ 2,548	$ 4,704			$ 20,833
Less than or equal to 660	20	64	36	39	68	632			859
No FICO score available	1	5	8	21	14	149			198
Government insured or guaranteed loans	1	10	13	17	26	512			579
Total residential real estate	$ 3,880	$ 5,609	$ 1,712	$ 2,615	$ 2,656	$ 5,997			$ 22,469

December 31, 2019 - In millions	Home equity	Residential real estate
Current estimated LTV ratios		
Greater than or equal to 100%	$ 1,243	$ 333
Greater than or equal to 90% to less than 100%	1,047	340
Less than 90%	22,068	19,305
No LTV ratio available	184	83
Government insured or guaranteed loans		584
Purchased impaired loans	543	1,176
Total loans	$ 25,085	$ 21,821
Updated FICO Scores		
Greater than 660	$ 22,245	$ 19,341
Less than or equal to 660	2,019	569
No FICO score available	278	151
Government insured or guaranteed loans		584
Purchased impaired loans	543	1,176
Total loans	$ 25,085	$ 21,821

Automobile, Credit Card, Education and Other Consumer

We monitor a variety of credit quality information in the management of these consumer loan classes. For all loan types, we generally use a combination of internal loan parameters as well as an updated FICO score. We use FICO scores as a primary credit quality indicator for automobile and credit card loans, as well as non-government guaranteed or non-insured education loans and other secured and unsecured lines and loans. Internal credit metrics, such as delinquency status, are heavily relied upon as credit quality indicators for government guaranteed or insured education loans and consumer loans to high net worth individuals, as internal credit metrics are more relevant than FICO scores for these types of loans.

Along with the monitoring of delinquency trends and losses for each class, FICO credit score updates are obtained at least quarterly along with a variety of credit bureau attributes. Loans with high FICO scores tend to have a lower likelihood of loss. Conversely, loans with low FICO scores tend to have a higher likelihood of loss.

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

Table 48: Credit Quality Indicators for Automobile, Credit Card, Education and Other Consumer Loan Classes

	Term Loans by Origination Year								
June 30, 2020 - In millions	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Automobile									
FICO score greater than 719	$ 1,816	$ 3,802	$ 1,814	$ 1,042	$ 606	$ 201			$ 9,281
650 to 719	561	1,868	1,062	481	207	75			4,254
620 to 649	73	445	257	104	39	15			933
Less than 620	58	653	579	252	102	45			1,689
Total automobile	$ 2,508	$ 6,768	$ 3,712	$ 1,879	$ 954	$ 336			$ 16,157
Credit card									
FICO score greater than 719							$ 3,395	$ 11	$ 3,406
650 to 719							2,152	30	2,182
620 to 649							378	12	390
Less than 620							462	46	508
No FICO score available or required (a)							86	3	89
Total credit card							$ 6,473	$ 102	$ 6,575
Education									
FICO score greater than 719	$ 13	$ 90	$ 119	$ 92	$ 75	$ 674			$ 1,063
650 to 719	3	12	16	10	7	112			160
620 to 649		1	2	1		18			22
Less than 620			1	1	1	22			25
No FICO score available or required (a)	2	10	7	6	1	1			27
Total loans using FICO credit metric	18	113	145	110	84	827			1,297
Other internal credit metrics	18	59				1,758			1,835
Total education	$ 36	$ 172	$ 145	$ 110	$ 84	$ 2,585			$ 3,132
Other consumer									
FICO score greater than 719	$ 297	$ 545	$ 188	$ 60	$ 19	$ 80	$ 212	$ 1	$ 1,402
650 to 719	117	313	134	31	9	23	143	1	771
620 to 649	13	51	24	5	1	4	22		120
Less than 620	8	48	33	10	3	7	36	1	146
No FICO score available or required (a)						2	6		8
Total loans using FICO credit metric	435	957	379	106	32	116	419	3	2,447
Other internal credit metrics	20	73	46	32	67	81	2,059	4	2,382
Total other consumer	$ 455	$ 1,030	$ 425	$ 138	$ 99	$ 197	$ 2,478	$ 7	$ 4,829

December 31, 2019 - In millions	Automobile	Credit Card	Education	Other Consumer
FICO score greater than 719	$ 9,232	$ 3,867	$ 1,139	$ 1,421
650 to 719	4,577	2,326	197	843
620 to 649	1,001	419	25	132
Less than 620	1,603	544	27	143
No FICO score available or required (a)	341	152	15	27
Total loans using FICO credit metric	16,754	7,308	1,403	2,566
Consumer loans using other internal credit metrics			1,933	2,371
Total loans	$ 16,754	$ 7,308	$ 3,336	$ 4,937
Weighted-average updated FICO score (b)	726	724	773	727

(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)

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulty. Loans that have been restructured for COVID-19 related hardships and meet certain criteria under the CARES Act are not categorized as TDRs. See Note 1 Accounting Policies for additional information related to TDRs.

Table 49 quantifies the number of loans that were classified as TDRs as well as the change in the loans' balance as a result of becoming a TDR during the three and six months ended June 30, 2020 and June 30, 2019. Additionally, the table provides information about the types of TDR concessions. See Note 3 Asset Quality in our 2019 Form 10-K for additional details on these TDR concessions.

Table 49: Financial Impact and TDRs by Concession Type

During the three months ended June 30, 2020 (a) Dollars in millions	Number of Loans	Pre-TDR Amortized Cost Basis (b)	Post-TDR Amortized Cost Basis (c) Principal Forgiveness	Rate Reduction	Other	Total
Commercial	29	$ 147	$ 33		$ 125	$ 158
Consumer	3,589	57		$ 19	35	54
Total TDRs	3,618	$ 204	$ 33	$ 19	$ 160	$ 212
During the six months ended June 30, 2020 Dollars in millions						
Commercial	42	$ 209	$ 39		$ 162	$ 201
Consumer	7,156	93		$ 41	45	86
Total TDRs	7,198	$ 302	$ 39	$ 41	$ 207	$ 287

(a) Impact of partial charge-offs at TDR date are included in this table.
(b) Represents the amortized cost basis of the loans as of the quarter end prior to TDR designation.
(c) Represents the amortized cost basis of the TDRs as of the end of the quarter in which the TDR occurs.

During the three months ended June 30, 2019 (d) Dollars in millions	Number of Loans	Pre-TDR Recorded Investment (e)	Post-TDR Recorded Investment (f) Principal Forgiveness	Rate Reduction	Other	Total
Commercial	15	$ 31		$ 1	$ 27	$ 28
Consumer	3,539	44		24	16	40
Total TDRs	3,554	$ 75		$ 25	$ 43	$ 68
During the six months ended June 30, 2019 Dollars in millions						
Commercial	37	$ 136		$ 1	$ 136	$ 137
Consumer	7,353	86		48	32	80
Total TDRs	7,390	$ 222		$ 49	$ 168	$ 217

(d) Impact of partial charge-offs at TDR date are included in this table.
(e) Represents the recorded investment of the loans as of the quarter end prior to TDR designation, and excludes immaterial amounts of accrued interest receivable.
(f) 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 following table provides a summary of TDRs that subsequently defaulted during the periods presented and were classified as
TDRs during the applicable 12-month period preceding June 30, 2020 and June 30, 2019.

Table 50: Subsequently Defaulted TDRs

In millions	2020	2019
Three months ended June 30	$ 22	$ 28
Six months ended June 30	$ 37	$ 39

Allowance for Credit Losses

We maintain the ACL related to loans at levels that we believe to be appropriate to absorb expected credit losses in the portfolios as of the balance sheet date. See Note 1 Accounting Policies for a discussion of the methodologies used to determine this allowance. A rollforward of the ACL related to loans follows.

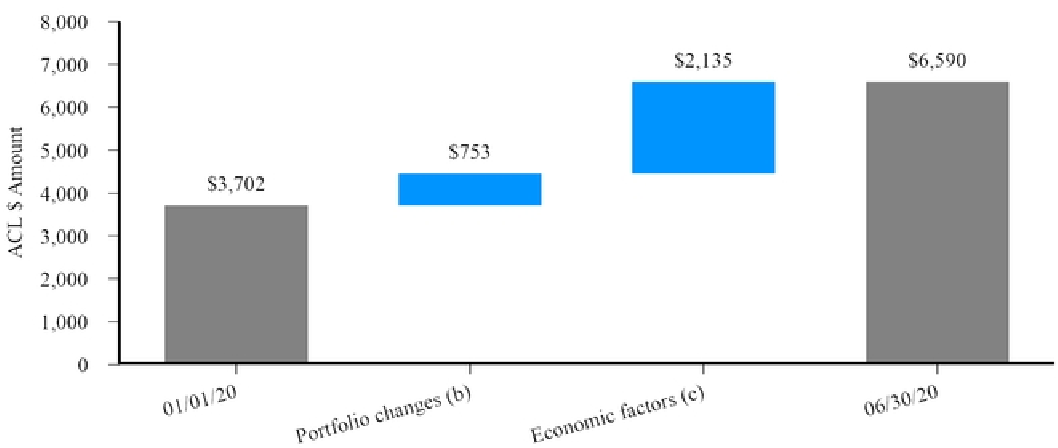
Table 51: Rollforward of Allowance for Credit Losses

	Six months ended June 30, 2020		
In millions	Commercial	Consumer	Total
Allowance for loan and lease losses			
December 31, 2019	$ 1,812	$ 930	$ 2,742
Adoption of ASU 2016-13 (a)	(304)	767	463
January 1, 2020	1,508	1,697	3,205
Charge-offs	(205)	(413)	(618)
Recoveries	39	131	170
Net (charge-offs)	(166)	(282)	(448)
Provision for credit losses	2,039	1,133	3,172
Other	(1)		(1)
June 30, 2020	$ 3,380	$ 2,548	$ 5,928
Allowance for unfunded lending related commitments (b)			
December 31, 2019	$ 316	$ 2	$ 318
Adoption of ASU 2016-13 (a)	53	126	179
January 1, 2020	369	128	497
Provision for (recapture of) credit losses	179	(14)	165
June 30, 2020	$ 548	$ 114	$ 662
Allowance for credit losses at June 30	$ 3,928	$ 2,662	$ 6,590

(a) Represents the impact of adopting ASU 2016-13, Financial Instruments - *Credit Losses* on January 1, 2020 and our transition from an incurred loss methodology for our reserves to an expected credit loss methodology.
(b) See Note 9 Commitments for additional information about the underlying commitments related to this allowance.

The following presents an analysis of changes impacting the ACL related to loans for thesix months ended June 30, 2020.

Table 52: Analysis of Changes in the Allowance for Credit Losses(a)
In millions



(a) Excludes allowances for investment securities and other financial assets.
(b) Represents changes in the portfolio such as the impact of increases/decreases in loan balances, age and mix due to new originations/purchases, as well as credit quality and net charge-off activity.
(c) Economic factors represent our evaluation and determination of an economic forecast applied to our loan portfolio.

The $2.9 billion increase in the ACL since January 1, 2020 was driven by the following factors in the commercial and consumer portfolios:

- Commercial reserves increased $2.1 billion attributable to the significantly adverse economic impact of the pandemic and its resulting effects on credit quality and loan growth.
- Consumer reserves increased $.8 billion primarily reflecting the significantly adverse economic impact of the pandemic.

Allowance for Loan and Lease Losses

Prior to January 1, 2020, we maintained our ALLL at levels we believed to be appropriate to absorb estimated probable credit losses incurred in the portfolios as of the balance sheet date. We used the two main portfolio segments - Commercial and Consumer, and developed and documented the ALLL under separate methodologies for each of these portfolio segments. See Note 1 Accounting Policies in our 2019 Form 10-K for a description of the accounting policies for ALLL.

A rollforward of the ALLL and associated loan data follows:

Table 53: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data

At or for the six months ended June 30, 2019 Dollars in millions	Commercial	Consumer	Total
Allowance for loan and lease losses			
January 1, 2019	$ 1,663	$ 966	$ 2,629
Charge-offs	(84)	(358)	(442)
Recoveries	40	124	164
Net (charge-offs)	(44)	(234)	(278)
Provision for credit losses	187	182	369
Net decrease in allowance for unfunded loan commitments and letters of credit	(7)	1	(6)
Other		7	7
June 30, 2019	$ 1,799	$ 922	$ 2,721
TDRs individually evaluated for impairment	$ 33	$ 123	$ 156
Other loans individually evaluated for impairment	53		53
Loans collectively evaluated for impairment	1,713	517	2,230
Purchased impaired loans		282	282
June 30, 2019	$ 1,799	$ 922	$ 2,721
Loan portfolio			
TDRs individually evaluated for impairment	$ 396	$ 1,381	$ 1,777
Other loans individually evaluated for impairment	287		287
Loans collectively evaluated for impairment	160,920	71,605	232,525
Fair value option loans (a)		755	755
Purchased impaired loans		1,871	1,871
June 30, 2019	$ 161,603	$ 75,612	$ 237,215

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

NOTE 5 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 our2019 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 9 Commitments and Note 12 Fair Value 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 54: Cash Flows Associated with Loan Sale and Servicing Activities

In millions	Residential Mortgages	Commercial Mortgages (a)
Cash Flows - Three months ended June 30, 2020		
Sales of loans (b)	$ 2,195	$ 1,334
Repurchases of previously transferred loans (c)	$ 100	$ 10
Servicing fees (d)	$ 81	$ 31
Servicing advances recovered/(funded), net	$ 7	$ (140)
Cash flows on mortgage-backed securities held (e)	$ 2,184	$ 14
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 - Six months ended June 30, 2020		
Sales of loans (b)	$ 3,529	$ 1,827
Repurchases of previously transferred loans (c)	$ 195	$ 25
Servicing fees (d)	$ 166	$ 64
Servicing advances recovered/(funded), net	$ 19	$ (128)
Cash flows on mortgage-backed securities held (e)	$ 3,545	$ 51
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

(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 $22.4 billion, $ 17.8 billion, and $17.5 billion in residential mortgage-backed securities and $.9 billion, $ .6 billion, and $ .6 billion in commercial mortgage-backed securities at June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

Table 55 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, 2020.

Table 55: Principal Balance, Delinquent Loans and Net Charge-offs Related to Serviced Loans For Others

In millions	Residential Mortgages	Commercial Mortgages (a)
June 30, 2020		
Total principal balance	$ 47,765	$ 41,391
Delinquent loans (b)	$ 433	$ 100
December 31, 2019		
Total principal balance	$ 49,323	$ 42,414
Delinquent loans (b)	$ 492	$ 64
Three months ended June 30, 2020		
Net charge-offs (c)	$ 2	
Three months ended June 30, 2019		
Net charge-offs (c)	$ 13	$ 178
Six months ended June 30, 2020		
Net charge-offs (c)	$ 10	$ 99
Six months ended June 30, 2019		
Net charge-offs (c)	$ 24	$ 296

(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 our2019 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 56 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 56. These loans are included as part of the asset quality disclosures that we make in Note 4 Loans and Related Allowance for Credit Losses.

Table 56: 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, 2020			
Mortgage-backed securitizations (b)	$ 24,074	$ 24,074 (c)	$ 1
Tax credit investments and other	2,982	2,871 (d)	$ 871 (e)
Total	$ 27,056	$ 26,945	$ 872
December 31, 2019			
Mortgage-backed securitizations (b)	$ 19,287	$ 19,287 (c)	
Tax credit investments and other	3,131	3,028 (d)	$ 1,101 (e)
Total	$ 22,418	$ 22,315	$ 1,101

(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. Within Income taxes, during the six months ended June 30, 2020, we recognized $96 million of amortization, $98 million of tax credits and $22 million of other tax benefits associated with qualified investments in low income housing tax credits. The amounts for the second quarter of 2020 were $47 million, $48 million and $10 million, respectively.

Note 6 Goodwill and Mortgage Servicing Rights

Goodwill

See Note 1 Accounting Policies in this Report and Note 7 Goodwill and Mortgage Servicing Rights in our 2019 Form 10-K for more information regarding our goodwill.

Mortgage Servicing Rights

We recognize the right to service mortgage loans for others as an intangible asset when the servicing income we receive is more than adequate compensation. MSRs totaled $1.1 billion and $1.6 billion at June 30, 2020 and December 31, 2019, 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 6, as well as Note 6 Fair Value in our 2019 Form 10-K for more detail on our fair value measurement of MSRs. Refer to Note 7 Goodwill and Mortgage Servicing Rights in our 2019 Form 10-K for more information on our accounting and measurement of MSRs.

Changes in the commercial and residential MSRs follow:

Table 57: Mortgage Servicing Rights

	Commercial MSRs		Residential MSRs	
In millions	2020	2019	2020	2019
January 1	$ 649	$ 726	$ 995	$ 1,257
Additions:				
From loans sold with servicing retained	45	16	22	14
Purchases	23	51	61	65
Changes in fair value due to:				
Time and payoffs (a)	(61)	(75)	(82)	(77)
Other (b)	(166)	(88)	(419)	(262)
June 30	$ 490	$ 630	$ 577	$ 997
Related unpaid principal balance at June 30	$ 228,985	$ 193,510	$ 122,043	$ 124,461
Servicing advances at June 30	$ 285	$ 204	$ 92	$ 128

(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, 2020 are shown in Tables 58 and 59. 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 58 and 59. 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 58: Commercial Mortgage Servicing Rights – Key Valuation Assumptions

Dollars in millions	June 30 2020	December 31 2019
Fair value	$ 490	$ 649
Weighted-average life (years)	4.3	4.1
Weighted-average constant prepayment rate	4.84%	4.56%
Decline in fair value from 10% adverse change	$ 8	$ 9
Decline in fair value from 20% adverse change	$ 16	$ 17
Effective discount rate	7.42%	7.91%
Decline in fair value from 10% adverse change	$ 13	$ 17
Decline in fair value from 20% adverse change	$ 26	$ 34

Table 59: Residential Mortgage Servicing Rights – Key Valuation Assumptions

Dollars in millions	June 30 2020	December 31 2019
Fair value	$ 577	$ 995
Weighted-average life (years)	2.9	5.2
Weighted-average constant prepayment rate	27.56%	13.51%
Decline in fair value from 10% adverse change	$ 41	$ 46
Decline in fair value from 20% adverse change	$ 79	$ 89
Weighted-average option adjusted spread	912 bps	769 bps
Decline in fair value from 10% adverse change	$ 14	$ 27
Decline in fair value from 20% adverse change	$ 27	$ 52

Fees from mortgage loan servicing, which includes contractually specified servicing fees, late fees and ancillary fees were $1 billion for the three months ended June 30, 2020 and 2019 and $.2 billion for the six months ended June 30, 2020 and 2019. 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 7 LEASES

PNC's lessor arrangements primarily consist of operating, sales-type and direct financing leases for equipment. Lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term. Lease income from sales-type and direct financing leases is included in Loan interest income and operating lease income is included in Corporate services on our Consolidated Income Statement. For more information on lease accounting see Note 1 Accounting Policies and Note 24 Leases in our 2019 Form 10-K.

Table 60: Lessor Income

	Three months ended June 30		Six months ended June 30	
In millions	2020	2019	2020	2019
Product				
Sales-type leases and direct financing leases	$ 70	$ 77	$ 141	$ 151
Operating leases	25	30	52	61
Lessor Income	$ 95	$ 107	$ 193	$ 212

NOTE 8 BORROWED FUNDS

The following table shows the carrying value of total borrowed funds of $47.0 billion at June 30, 2020 (including adjustments related to purchase accounting, accounting hedges and unamortized original issuance discounts) by remaining contractual maturity:

Table 61: Borrowed Funds

In billions		
Less than 1 year	$	16.1
1 to 2 years	$	3.6
2 to 3 years	$	8.9
3 to 4 years	$	2.8
4 to 5 years	$	3.2
Over 5 years	$	12.4

The following table presents the contractual rates and maturity dates of our FHLB borrowings, senior debt and subordinated debt as of June 30, 2020, and the carrying values as of June 30, 2020 and December 31, 2019.

Table 62: FHLB Borrowings, Senior Debt and Subordinated Debt

	Stated Rate	Maturity	Carrying Value	
Dollars in millions	2020	2020	2020	2019
Parent Company				
Senior debt	2.20%-4.38%	2020-2030	$ 10,486	$ 8,843
Subordinated debt	3.90%	2024	815	777
Junior subordinated debt	0.92%	2028	205	205
Subtotal			11,506	9,825
Bank				
FHLB (a)	0.43%-0.73%	2020-2021	8,500	16,341
Senior debt	0%-3.50%	2020-2043	17,219	20,167
Subordinated debt	2.70%-4.20%	2022-2029	5,479	5,152
Subtotal			31,198	41,660
Total			$ 42,704	$ 51,485

(a) FHLB borrowings are generally collateralized by residential mortgage loans, other mortgage-related loans and investment securities.

In Table 62, the carrying values for Parent Company senior and subordinated debt include basis adjustments of $820 million and $67 million, respectively, whereas Bank senior and subordinated debt include basis adjustments of $608 million and $496 million, respectively, related to fair value accounting hedges as of June 30, 2020.

Certain borrowings are reported at fair value. Refer to Note 12 Fair Value for more information on those borrowings.

For further information regarding junior subordinated debentures refer to Note 10 Borrowed Funds in our 2019 Form 10-K.

Note 9 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, 2020 and December 31, 2019, respectively.

Table 63: Commitments to Extend Credit and Other Commitments

In millions	June 30 2020	December 31 2019
Commitments to extend credit		
Total commercial lending	$ 137,164	$ 131,762
Home equity lines of credit	17,089	16,803
Credit card	32,253	30,862
Other	7,206	6,162
Total commitments to extend credit	193,712	185,589
Net outstanding standby letters of credit (a)	9,149	9,843
Reinsurance agreements (b)	92	1,393
Standby bond purchase agreements (c)	1,450	1,295
Other commitments (d)	1,123	1,498
Total commitments to extend credit and other commitments	$ 205,526	$ 199,618

(a) Net outstanding standby letters of credit include $3.9 billion and $4.1 billion at June 30, 2020 and December 31, 2019, 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 June 30, 2020, the aggregate maximum exposure amount was zero for accidental death and dismemberment contracts, and $.1 billion for credit life, accident and health contracts. Comparable amounts at December 31, 2019 were $1.3 billion and $.1 billion, respectively.

(c) We enter into standby bond purchase agreements to support municipal bond obligations.

(d) Includes $.5 billion and $.6 billion related to investments in qualified affordable housing projects at June 30, 2020 and December 31, 2019, respectively.

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 96% of our net outstanding standby letters of credit were rated as Pass as of June 30, 2020, 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, 2020 had terms ranging from less than one year to six years.

As of June 30, 2020, assets of $1.1 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, 2020 and is included in Other liabilities on our Consolidated Balance Sheet.

Note 10 Total Equity And Other Comprehensive Income

Activity in total equity for the six months ended June 30, 2020 and 2019 is as follows.

Table 64: 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 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 (loss), 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
Balance at March 31, 2020 (a)	424	$ 2,712	$ 3,994	$ 12,294	$ 41,885	$ 2,518	$ (14,140)	$ 27	$ 49,290
Net income					3,648			7	3,655
Other comprehensive income, net of tax						551			551
Cash dividends declared - Common					(491)				(491)
Cash dividends declared - Preferred					(55)				(55)
Preferred stock discount accretion			1		(1)				
Common stock activity				11					11
Treasury stock activity	1			2			12		14
Other				(18)				(9)	(27)
Balance at June 30, 2020 (a)	425	$ 2,712	$ 3,995	$ 12,289	$ 44,986	$ 3,069	$ (14,128)	$ 25	$ 52,948
Six months ended									
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 (loss), 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
Balance at December 31, 2019 (a)	433	$ 2,712	$ 3,993	$ 12,376	$ 42,215	$ 799	$ (12,781)	$ 29	$ 49,343
Cumulative effect of ASU 2016-13 adoption (c)					(671)				(671)
Balance at January 1, 2020 (a)	433	$ 2,712	$ 3,993	$ 12,376	$ 41,544	$ 799	$ (12,781)	$ 29	$ 48,672
Net income					4,556			14	4,570
Other comprehensive income, net of tax						2,270			2,270
Cash dividends declared - Common					(994)				(994)
Cash dividends declared - Preferred					(118)				(118)
Preferred stock discount accretion			2		(2)				
Common stock activity				11					11
Treasury stock activity	(8)			51			(1,347)		(1,296)
Other				(149)				(18)	(167)
Balance at June 30, 2020 (a)	425	$ 2,712	$ 3,995	$ 12,289	$ 44,986	$ 3,069	$ (14,128)	$ 25	$ 52,948

(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 cumulative effect of adopting ASU 2016-02 - *Leases* related primarily to deferred gains on previous sale-leaseback transactions. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in our 2019 Form 10-K for additional detail.

(c) Represents the cumulative effect of adopting ASU 2016-13 - Financial Instruments - *Credit Losses*. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in this report for additional detail on this adoption.

Other Comprehensive Income

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

Table 65: Other Comprehensive Income (Loss)

In millions	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Net unrealized gains (losses) on securities without an allowance for credit losses				
Increase in net unrealized gains (losses) on securities	$ 661		$ 2,330	
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	1		2	
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	40		221	
Net increase (decrease), pre-tax	620		2,107	
Effect of income taxes	(143)		(484)	
Net increase (decrease), after-tax	477		1,623	
Net unrealized gains (losses) on securities with an allowance for credit losses				
Increase in net unrealized gains (losses) on securities	(82)		(89)	
Net increase (decrease), pre-tax	(82)		(89)	
Effect of income taxes	18		20	
Net increase (decrease), after-tax	(64)		(69)	
Net unrealized gains (losses) on non-OTTI securities				
Increase in net unrealized gains (losses) on non-OTTI securities		$ 713		$ 1,353
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income		3		6
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income		16		14
Net increase (decrease), pre-tax		694		1,333
Effect of income taxes		(159)		(306)
Net increase (decrease), after-tax		535		1,027
Net unrealized gains (losses) on OTTI securities				
Increase in net unrealized gains (losses) on OTTI securities				9
Net increase (decrease), pre-tax		—		9
Effect of income taxes				(2)
Net increase (decrease), after-tax		—		7
Net unrealized gains (losses) on cash flow hedge derivatives				
Increase in net unrealized gains (losses) on cash flow hedge derivatives	115	246	945	354
Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income	102	(12)	144	(20)
Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income	1	1	3	2
Less: Net gains (losses) realized on sales of securities reclassified to noninterest income	—	3	1	18
Net increase (decrease), pre-tax	12	254	797	354
Effect of income taxes	(3)	(58)	(183)	(81)
Net increase (decrease), after-tax	9	196	614	273
Pension and other postretirement benefit plan adjustments				
Net pension and other postretirement benefit activity	(20)	(89)	(10)	54
Amortization of actuarial loss (gain) reclassified to other noninterest expense	2	4	3	5
Amortization of prior service cost (credit) reclassified to other noninterest expense	1	1	2	2
Net increase (decrease), pre-tax	(17)	(84)	(5)	61
Effect of income taxes	4	19	1	(14)
Net increase (decrease), after-tax	(13)	(65)	(4)	47
Other				
Net investment hedge derivatives	5	32	80	14
Foreign currency translation adjustments and other	(3)	(27)	(70)	(4)
Net increase (decrease), pre-tax	2	5	10	10
Effect of income taxes	(1)	(7)	(19)	(4)
Net increase (decrease), after-tax	1	(2)	(9)	6
Total other comprehensive income (loss) from continuing operations, pre-tax	535	869	2,820	1,767
Total other comprehensive income (loss) from continuing operations, tax effect	(125)	(205)	(665)	(407)
Total other comprehensive income (loss) from continuing operations, after-tax	$ 410	$ 664	$ 2,155	$ 1,360
Total other comprehensive income (loss) from discontinued operations, after-tax	141	(28)	115	(4)
Total other comprehensive income (loss), after-tax	$ 551	$ 636	$ 2,270	$ 1,356

Table 66: 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	Accumulated other Comprehensive Income from Continuing Operations	Accumulated other Comprehensive Income from Discontinued Operations	Total
Three months ended								
Balance at March 31, 2019	$ 208	$ 211	$ 124	$ (418)	$ (35)	$ 90	$ (95)	$ (5)
Net activity	535		196	(65)	(2)	664	(28)	636
Balance at June 30, 2019	$ 743	$ 211	$ 320	$ (483)	$ (37)	$ 754	$ (123)	$ 631
Six months ended								
Balance at December 31, 2018	$ (284)	$ 204	$ 47	$ (530)	$ (43)	$ (606)	$ (119)	$ (725)
Net activity	1,027	7	273	47	6	1,360	(4)	1,356
Balance at June 30, 2019	$ 743	$ 211	$ 320	$ (483)	$ (37)	$ 754	$ (123)	$ 631

In millions, after-tax	Net unrealized gains (losses) on securities without an Allowance	Net unrealized gains (losses) on securities with an Allowance	Net unrealized gains (losses) on cash flow hedge derivatives	Pension and other postretirement benefit plan adjustments	Other	Accumulated other Comprehensive Income from Continuing Operations	Accumulated other Comprehensive Income from Discontinued Operations	Total
Three months ended								
Balance at March 31, 2020	$ 2,213	$ (5)	$ 881	$ (399)	$ (31)	$ 2,659	$ (141)	$ 2,518
Net activity	477	(64)	9	(13)	1	410	141	551
Balance at June 30, 2020	$ 2,690	$ (69)	$ 890	$ (412)	$ (30)	$ 3,069		$ 3,069
Six months ended								
Balance at December 31, 2019	$ 844	$ 223	$ 276	$ (408)	$ (21)	$ 914	$ (115)	$ 799
Cumulative effect of ASU 2016-03 adoption (a)	223	(223)						
Balance at January 1, 2020	$ 1,067		$ 276	$ (408)	$ (21)	$ 914	$ (115)	$ 799
Net activity	1,623	$ (69)	614	(4)	(9)	2,155	115	2,270
Balance at June 30, 2020	$ 2,690	$ (69)	$ 890	$ (412)	$ (30)	$ 3,069		$ 3,069

(a) Represents the cumulative effect of adopting ASU 2016-13 - *Credit Losses* reflecting the change from OTTI to ACL for debt securities. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in this report for additional detail on this adoption.

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

Table 67: Dividends Per Share (a)

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Common Stock	$ 1.15	$ .95	$ 2.30	$ 1.90
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 from the Series R and Series S preferred stock

The PNC board of directors declared a quarterly cash dividend on common stock payable onAugust 5, 2020 of $1.15 per share, consistent with the second quarter dividend paid on May 5, 2020.

Note 11 Earnings Per Share

Table 68: Basic and Diluted Earnings Per Common Share

In millions, except per share data	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Basic				
Net income (loss) from continuing operations	$ (744)	$ 1,185	$ 15	$ 2,267
Less:				
Net income attributable to noncontrolling interests	7	12	14	22
Preferred stock dividends	55	55	118	118
Preferred stock discount accretion and redemptions	1	1	2	2
Net income (loss) from continuing operations attributable to common shareholders	(807)	1,117	(119)	2,125
Less: Dividends and undistributed earnings allocated to nonvested restricted shares	1	4	4	8
Net income (loss) from continuing operations attributable to basic common shareholders	$ (808)	$ 1,113	$ (123)	$ 2,117
Net income from discontinued operations attributable to common shareholders	4,399	189	4,555	378
Less: Undistributed earnings allocated to nonvested restricted shares	$ 21	$ —	$ 22	$ 1
Net income from discontinued operations attributable to basic common shareholders	4,378	189	4,533	377
Basic weighted-average common shares outstanding	426	451	428	453
Basic earnings (loss) per common share from continuing operations (a)	$ (1.90)	$ 2.47	$ (.29)	$ 4.68
Basic earnings per common share from discontinued operations (a)	$ 10.28	$ .42	$ 10.60	$ .83
Basic earnings per common share (b)	$ 8.40	$ 2.89	$ 10.33	$ 5.51
Diluted				
Net income (loss) from continuing operations attributable to diluted common shareholders	$ (808)	$ 1,113	$ (123)	$ 2,117
Net income from discontinued operations attributable to basic common shareholders	4,378	189	4,533	377
Less: Impact of earnings per share dilution from discontinued operations	1	2	2	5
Net income from discontinued operations attributable to diluted common shareholders	$ 4,377	$ 187	$ 4,531	$ 372
Basic weighted-average common shares outstanding	426	451	428	453
Dilutive potential common shares (c)	—	1	—	1
Diluted weighted-average common shares outstanding	426	452	428	454
Diluted earnings (loss) per common share from continuing operations (a)	$ (1.90)	$ 2.47	$ (.29)	$ 4.67
Diluted earnings per common share from discontinued operations (a)	$ 10.28	$ .41	$ 10.59	$ .82
Diluted earnings per common share (b)	$ 8.40	$ 2.88	$ 10.32	$ 5.49

(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).
(b) See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements of this Report for additional information on our policy for not allocating losses to participating securities.
(c) See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements of this Report for additional information on our policy for not including potential dilutive shares in the diluted EPS calculations when a loss from continuing operations exists.

Note 12 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, and is 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 2019 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 2019 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 69: Fair Value Measurements – Recurring Basis Summary

	June 30, 2020				December 31, 2019			
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		$ 743	$ 88	$ 831		$ 817	$ 2	$ 819
Commercial mortgage loans held for sale		344	60	404		182	64	246
Securities available for sale								
U.S. Treasury and government agencies	$ 19,907	281		20,188	$ 16,236	280		16,516
Residential mortgage-backed								
Agency		57,480		57,480		36,321		36,321
Non-agency		191	1,491	1,682		73	1,741	1,814
Commercial mortgage-backed								
Agency		3,140		3,140		3,118		3,118
Non-agency		4,020	19	4,039		3,372		3,372
Asset-backed		5,158	210	5,368		4,874	240	5,114
Other		5,083	72	5,155		2,834	74	2,908
Total securities available for sale	19,907	75,353	1,792	97,052	16,236	50,872	2,055	69,163
Loans		424	607	1,031		442	300	742
Equity investments (a)	821		1,183	2,280	855		1,276	2,421
Residential mortgage servicing rights			577	577			995	995
Commercial mortgage servicing rights			490	490			649	649
Trading securities (b)	1,815	1,261		3,076	433	2,787		3,220
Financial derivatives (b) (c)		8,038	141	8,179		3,448	54	3,502
Other assets	328	63		391	339	131		470
Total assets (d)	$ 22,871	$ 86,226	$ 4,938	$ 114,311	$ 17,863	$ 58,679	$ 5,395	$ 82,227
Liabilities								
Other borrowed funds	$ 1,961	$ 38	$ 2	$ 2,001	$ 385	$ 126	$ 7	$ 518
Financial derivatives (c) (e)	4	3,016	209	3,229		1,819	200	2,019
Other liabilities			85	85			137	137
Total liabilities (f)	$ 1,965	$ 3,054	$ 296	$ 5,315	$ 385	$ 1,945	$ 344	$ 2,674

(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, 2020 and December 31, 2019 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 13 Financial Derivatives for additional information related to derivative offsetting.
(d) Total assets at fair value as a percentage of total consolidated assets was 25% and 20% as of June 30, 2020 and December 31, 2019, respectively. Level 3 assets as a percentage of total assets at fair value was 4% and 7% as of June 30, 2020 and December 31, 2019, respectively. Level 3 assets as a percentage of total consolidated assets was 1% at both June 30, 2020 and December 31, 2019.
(e) Included in Other liabilities on the Consolidated Balance Sheet.
(f) Total liabilities at fair value as a percentage of total consolidated liabilities was 1% at both June 30, 2020 and December 31, 2019. Level 3 liabilities as a percentage of total liabilities at fair value was 6% and 13% as of June 30, 2020 and December 31, 2019, respectively. Level 3 liabilities as a percentage of total consolidated liabilities was less than 1% at both June 30, 2020 and December 31, 2019.

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, 2020 and 2019 follow:

Table 70: Reconciliation of Level 3 Assets and Liabilities

Three Months Ended June 30, 2020

Level 3 Instruments Only In millions	Fair Value Mar. 31, 2020	Total realized / unrealized gains or losses for the period (a) Included in Earnings	 Included in Other comprehensive income (b)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value June 30, 2020	Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2020 (a) (c)
Assets											
Residential mortgage loans held for sale	$ 4			$ 5	$ (1)		$ (3)	$ 83		$ 88	
Commercial mortgage loans held for sale	60									60	
Securities available for sale											
Residential mortgage-backed non-agency	1,442	$ 12	$ 123				(86)			1,491	
Commercial mortgage-backed non-agency								19		19	
Asset-backed	202	2	16				(10)			210	
Other	73		2				(3)			72	
Total securities available for sale	1,717	14	141				(99)	19		1,792	
Loans	655	2		55	(5)		(22)		(78) (e)	607	$ 2
Equity investments	1,220	(62)		42	(17)					1,183	(62)
Residential mortgage servicing rights	605	(40)		43		$ 12	(43)			577	(41)
Commercial mortgage servicing rights	477	1		4		34	(26)			490	1
Trading securities											
Financial derivatives	135	50		4			(48)			141	84
Other assets											
Total assets	$ 4,873	$ (35)	$ 141	$ 153	$ (23)	$ 46	$ (241)	$ 102	$ (78)	$ 4,938	$ (16)
Liabilities											
Other borrowed funds	$ 5					$ 13	$ (16)			$ 2	
Financial derivatives	185	$ 28			$ 1		(5)			209	$ 27
Other liabilities	72	4				26	(19)		$ 2	85	(2)
Total liabilities	$ 262	$ 32			$ 1	$ 39	$ (40)		$ 2	$ 296	$ 25
Net gains (losses)		$ (67) (f)									$ (41) (g)

Three Months Ended June 30, 2019

Level 3 Instruments Only In millions	Fair Value Mar. 31, 2019	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income (b)	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) (c)
Assets											
Residential mortgage loans held for sale	$ 2			$ 1				$ 1	$ (2) (e)	$ 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) (e)	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) (f)									$ (183) (g)

(continued from previous page)

Six Months Ended June 30, 2020

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2019	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income (b)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value June 30, 2020	Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2020 (a) (c)
Assets											
Residential mortgage loans held for sale	$ 2			$ 7	$ (2)		$ (3)	$ 87	$ (3) (e)	$ 88	
Commercial mortgage loans held for sale	64	$ (1)					(3)			60	$ (1)
Securities available for sale											
Residential mortgage-backed non-agency	1,741	28	$ (99)				(179)			1,491	
Commercial mortgage-backed non-agency								19		19	
Asset-backed	240	4	(13)				(21)			210	
Other	74		(3)	4			(3)			72	
Total securities available for sale	2,055	32	(115)	4			(203)	19		1,792	
Loans	300	13		71	(31)		340 (d)		(86) (e)	607	13
Equity investments	1,276	(131)		113	(75)					1,183	(125)
Residential mortgage servicing rights	995	(419)		61		$ 22	(82)			577	(420)
Commercial mortgage servicing rights	649	(166)		23		45	(61)			490	(166)
Trading securities											
Financial derivatives	54	151		6			(70)			141	158
Other assets											
Total assets	$ 5,395	$ (521)	$ (115)	$ 285	$ (108)	$ 67	$ (82)	$ 106	$ (89)	$4,938	$ (541)
Liabilities											
Other borrowed funds	$ 7					$ 25	$ (30)			$ 2	
Financial derivatives	200	$ 36			$ 2		(29)			209	$ 37
Other liabilities	137	6				37	(97)	$ 2		85	(8)
Total liabilities	$ 344	$ 42			$ 2	$ 62	$ (156)	$ 2		$ 296	$ 29
Net gains (losses)		$ (563) (f)									$ (570) (g)

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 (b)	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) (c)
Assets											
Residential mortgage loans held for sale	$ 2			$ 2	$ (1)			$ 4	$ (5) (e)	$ 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) (e)	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) (f)									$ (419) (g)

(a) Losses for assets are bracketed while losses for liabilities are not.
(b) The difference in unrealized gains and losses for the period included in Other comprehensive income and changes in unrealized gains and losses for the period included in Other comprehensive income for securities available for sale held at the end of the reporting period were not significant.
(c) 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.
(d) Upon adoption of ASU 2016-13 -*Credit Losses*, we discontinued the accounting for purchased impaired loans and elected the one-time fair value option election for some of these loans and certain nonperforming loans.
(e) Residential mortgage loan transfers out of Level 3 are primarily driven by residential mortgage loans transferring to OREO as well as reclassification of mortgage loans held for sale to held for investment.
(f) 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.
(g) 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.

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

Table 71: Fair Value Measurements – Recurring Quantitative Information

June 30, 2020

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average) (a)
Commercial mortgage loans held for sale	$ 60	Discounted cash flow	Spread over the benchmark curve (b)	630bps - 3,870bps (2,444bps)
Residential mortgage-backed non-agency securities	1,491	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 37.6% (8.6%)
			Constant default rate	0.0% - 15.9% (4.7%)
			Loss severity	25.0% - 95.7% (48.6%)
			Spread over the benchmark curve (b)	327bps weighted-average
Asset-backed securities	210	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 22.0% (7.5%)
			Constant default rate	1.0% - 7.2% (3.3%)
			Loss severity	30.0% - 100.0% (58.9%)
			Spread over the benchmark curve (b)	433bps weighted-average
Loans - Residential real estate	436	Consensus pricing (c)	Cumulative default rate	3.6% - 100.0% (78.4%)
			Loss severity	0.0% - 100.0% (12.7%)
			Discount rate	4.8% - 6.8% (5.3%)
	80	Discounted cash flow	Loss severity	8.0% weighted-average
			Discount rate	3.3% weighted-average
Loans - Home equity	23	Consensus pricing (c)	Cumulative default rate	3.6% - 100.0% (91.4%)
			Loss severity	0.0% - 99.4% (37.1%)
			Discount rate	4.8% - 6.8% (6.3%)
	68	Consensus pricing (c)	Credit and liquidity discount	17.1% - 97.0% (57.4%)
Equity investments	1,183	Multiple of adjusted earnings	Multiple of earnings	5.0x - 16.5x (8.5x)
Residential mortgage servicing rights	577	Discounted cash flow	Constant prepayment rate	0.0% - 65.2% (27.6%)
			Spread over the benchmark curve (b)	331bps - 3,793bps (912bps)
Commercial mortgage servicing rights	490	Discounted cash flow	Constant prepayment rate	3.8% - 22.1% (4.8%)
			Discount rate	4.0% - 8.0% (7.4%)
Financial derivatives - Swaps related to sales of certain Visa Class B common shares	(171)	Discounted cash flow	Estimated conversion factor of Visa Class B shares into Class A shares	162.3% weighted-average
			Estimated annual growth rate of Visa Class A share price	16.0%
			Estimated length of litigation resolution date	Q2 2021
Insignificant Level 3 assets, net of liabilities (d)	195			
Total Level 3 assets, net of liabilities (e)	$ 4,642			

December 31, 2019

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average) (a)
Commercial mortgage loans held for sale	$ 64	Discounted cash flow	Spread over the benchmark curve (b)	530bps - 2,935bps (1,889bps)
Residential mortgage-backed non-agency securities	1,741	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 36.2% (9.9%)
			Constant default rate	0.0% - 14.1% (4.3%)
			Loss severity	26.6% - 95.7% (51.9%)
			Spread over the benchmark curve (b)	188bps weighted-average
Asset-backed securities	240	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 22.0% (7.5%)
			Constant default rate	1.0% - 7.2% (3.4%)
			Loss severity	30.0% - 100.0% (57.6%)
			Spread over the benchmark curve (b)	215bps weighted-average
Loans	184	Consensus pricing (c)	Cumulative default rate	3.6% - 100.0% (76.7%)
			Loss severity	0.0% - 100.0% (14.5%)
			Discount rate	5.0% - 8.0% (5.2%)
	72	Discounted cash flow	Loss severity	8.0% weighted-average
			Discount rate	4.8% weighted-average
	44	Consensus pricing (c)	Credit and Liquidity discount	0.0% - 99.0% (63.4%)
Equity investments	1,276	Multiple of adjusted earnings	Multiple of earnings	5.0x - 16.5x (8.5x)
Residential mortgage servicing rights	995	Discounted cash flow	Constant prepayment rate	0.0% - 53.8% (13.5%)
			Spread over the benchmark curve (b)	320bps - 1,435bps (769bps)
Commercial mortgage servicing rights	649	Discounted cash flow	Constant prepayment rate	3.5% - 18.1% (4.6%)
			Discount rate	5.6% - 8.1% (7.9%)
Financial derivatives - Swaps related to sales of certain Visa Class B common shares	(176)	Discounted cash flow	Estimated conversion factor of Visa Class B shares into Class A shares	162.3% weighted-average
			Estimated annual growth rate of Visa Class A share price	16.0%
			Estimated length of litigation resolution date	Q1 2021
Insignificant Level 3 assets, net of liabilities (d)	(38)			
Total Level 3 assets, net of liabilities (e)	$ 5,051			

(a) Unobservable inputs were weighted by the relative fair value of the instruments.
(b) 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.
(c) 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.
(d) 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.
(e) Consisted of total Level 3 assets of $4.9 billion and total Level 3 liabilities of$.3 billion as ofJune 30, 2020 and $5.4 billion and $.3 billion as ofDecember 31, 2019, 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 72. 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 2019 Form 10-K.

Table 72: Fair Value Measurements – Nonrecurring (a) (b) (c)

	Fair Value		Gains (Losses) Three months ended		Gains (Losses) Six months ended	
In millions	June 30 2020	December 31 2019	June 30 2020	June 30 2019	June 30 2020	June 30 2019
Assets						
Nonaccrual loans	$ 211	$ 136	$ (31)	$ (34)	$ (56)	$ (44)
OREO and foreclosed assets	30	57	(1)	(2)	(2)	(4)
Long-lived assets	4	5	(2)	(4)	(3)	(4)
Total assets	$ 245	$ 198	$ (34)	$ (40)	$ (61)	$ (52)

(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 2019 Form 10-K.

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

Table 73: Fair Value Option – Fair Value and Principal Balances

	June 30, 2020			December 31, 2019		
In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference	Fair Value	Aggregate Unpaid Principal Balance	Difference
Assets						
Residential mortgage loans held for sale						
Accruing loans less than 90 days past due	$ 813	$ 778	$ 35	$ 813	$ 792	$ 21
Accruing loans 90 days or more past due	7	7		2	2	
Nonaccrual loans	11	12	(1)	4	4	
Total	$ 831	$ 797	$ 34	$ 819	$ 798	$ 21
Commercial mortgage loans held for sale (a)						
Accruing loans less than 90 days past due	$ 403	$ 416	$ (13)	$ 245	$ 263	$ (18)
Nonaccrual loans	1	1		1	2	(1)
Total	$ 404	$ 417	$ (13)	$ 246	$ 265	$ (19)
Loans						
Accruing loans less than 90 days past due	$ 273	$ 287	$ (14)	$ 291	$ 304	$ (13)
Accruing loans 90 days or more past due	233	244	(11)	285	296	(11)
Nonaccrual loans	525	794	(269)	166	265	(99)
Total	$ 1,031	$ 1,325	$ (294)	$ 742	$ 865	$ (123)
Other assets	$ 62	$ 59	$ 3	$ 132	$ 125	$ 7
Liabilities						
Other borrowed funds	$ 29	$ 29		$ 63	$ 64	$ (1)

(a) There were no accruing loans 90 days or more past due within this category at June 30, 2020 or December 31, 2019.

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

Table 74: Fair Value Option – Changes in Fair Value (a)

	Gains (Losses) Three months ended		Gains (Losses) Six months ended	
In millions	June 30 2020	June 30 2019	June 30 2020	June 30 2019
Assets				
Residential mortgage loans held for sale	$ 52	$ 20	$ 98	$ 34
Commercial mortgage loans held for sale	$ 12	$ 18	$ 60	$ 23
Loans	$ 8	$ 5	$ 26	$ 9
Other assets	$ 9	$ 12	$ (27)	$ 21

(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, 2020 and December 31, 2019. For more information regarding the methods and assumptions used to estimate the fair values of financial instruments included in Table 75, see Note 6 Fair Value in our 2019 Form 10-K.

Table 75: Additional Fair Value Information Related to Other Financial Instruments

In millions	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
June 30, 2020					
Assets					
Cash and due from banks	$ 6,338	$ 6,338	$ 6,338		
Interest-earning deposits with banks	50,233	50,233		$ 50,233	
Securities held to maturity	1,443	1,615	931	487	$ 197
Net loans (excludes leases)	244,181	251,421			251,421
Other assets	5,198	5,184		5,180	4
Total assets	$ 307,393	$ 314,791	$ 7,269	$ 55,900	$ 251,622
Liabilities					
Time deposits	$ 21,220	$ 21,227		$ 21,227	
Borrowed funds	45,024	45,309		43,603	$ 1,706
Unfunded lending related commitments	662	662			662
Other liabilities	372	372		372	
Total liabilities	$ 67,278	$ 67,570		$ 65,202	$ 2,368
December 31, 2019					
Assets					
Cash and due from banks	$ 5,061	$ 5,061	$ 5,061		
Interest-earning deposits with banks	23,413	23,413		$ 23,413	
Securities held to maturity	17,661	18,044	832	17,039	$ 173
Net loans (excludes leases)	229,205	232,670			232,670
Other assets	5,700	5,700		5,692	8
Total assets	$ 281,040	$ 284,888	$ 5,893	$ 46,144	$ 232,851
Liabilities					
Time deposits	$ 21,663	$ 21,425		$ 21,425	
Borrowed funds	59,745	60,399		58,622	$ 1,777
Unfunded lending related commitments	318	318			318
Other liabilities	506	506		506	
Total liabilities	$ 82,232	$ 82,648		$ 80,553	$ 2,095

The aggregate fair values in Table 75 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 69);
- 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 13 FINANCIAL DERIVATIVES

We use a variety of financial derivatives to both mitigate exposure to market (primarily interest rate) and credit risk inherent in our business activities, as well as, to facilitate customer risk management activities. We manage these risks as part of our overall asset and liability management process and through our credit policies and procedures. 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.

Derivative transactions are often measured in terms of notional amount, but this amount is generally not exchanged and it is not recorded on the balance sheet. The notional amount is the basis to which the underlying is applied to determine required payments under the derivative contract. The underlying is a referenced interest rate (commonly LIBOR), security price, credit spread or other index. Residential and commercial real estate loan commitments associated with loans to be sold also qualify as derivative instruments.

For more information regarding derivatives see Note 1 Accounting Policies and Note 13 Financial Derivatives in our2019 Form 10-K.

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

Table 76: Total Gross Derivatives (a)

	June 30, 2020			December 31, 2019		
In millions	Notional / Contract Amount	Asset Fair Value (b)	Liability Fair Value (c)	Notional / Contract Amount	Asset Fair Value (b)	Liability Fair Value (c)
Derivatives used for hedging						
Interest rate contracts (d):						
Fair value hedges	$ 27,874			$ 30,663		
Cash flow hedges	16,342	$ 7		23,642	$ 6	
Foreign exchange contracts:						
Net investment hedges	1,194	75		1,102		$ 6
Total derivatives designated for hedging	$ 45,410	$ 82		$ 55,407	$ 6	$ 6
Derivatives not used for hedging						
Derivatives used for mortgage banking activities (e):						
Interest rate contracts:						
Swaps	$ 55,678			$ 52,007	$ 1	
Futures (f)	2,359			3,487		
Mortgage-backed commitments	16,569	$ 175	$ 105	7,738	60	$ 44
Other	6,083	35	39	3,134	32	23
Total interest rate contracts	80,689	210	144	66,366	93	67
Derivatives used for customer-related activities:						
Interest rate contracts:						
Swaps	278,337	6,584	1,854	249,075	2,769	1,187
Futures (f)	1,375			703		
Mortgage-backed commitments	3,745	19	16	3,721	2	6
Other	23,328	292	104	21,379	113	33
Total interest rate contracts	306,785	6,895	1,974	274,878	2,884	1,226
Commodity contracts:						
Swaps	5,313	531	509	5,204	234	229
Other	3,651	126	126	4,203	72	72
Total commodity contracts	8,964	657	635	9,407	306	301
Foreign exchange contracts and other	24,774	282	274	27,120	204	162
Total derivatives for customer-related activities	340,523	7,834	2,883	311,405	3,394	1,689
Derivatives used for other risk management activities:						
Foreign exchange contracts and other	9,653	53	202	10,201	9	257
Total derivatives not designated for hedging	$ 430,865	$ 8,097	$ 3,229	$ 387,972	$ 3,496	$ 2,013
Total gross derivatives	$ 476,275	$ 8,179	$ 3,229	$ 443,379	$ 3,502	$ 2,019
Less: Impact of legally enforceable master netting agreements		1,196	1,196		690	690
Less: Cash collateral received/paid		1,825	1,229		616	790
Total derivatives		$ 5,158	$ 804		$ 2,196	$ 539

(a) Centrally cleared derivatives are settled in cash daily and result in no derivative asset or derivative liability being recognized on our Consolidated Balance Sheet .
(b) Included in Other assets on our Consolidated Balance Sheet.
(c) Included in Other liabilities on our Consolidated Balance Sheet.
(d) Represents primarily swaps.
(e) Includes both residential and commercial mortgage banking activities.
(f) 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 13. 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

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. 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, 2020, we expect to reclassify net derivative gains of $471 million pretax, or $372 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, 2020. As of June 30, 2020, 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 77: 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, 2020				
Total amounts on the Consolidated Income Statement	$ 2,257	$ 527	$ 187	$ 271
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ 3	$ (80)	
Derivatives		$ (2)	$ 47	
Amounts related to interest settlements on derivatives		$ (2)	$ 133	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from AOCI	$ 102	$ 1		
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 six months ended June 30, 2020				
Total amounts on the Consolidated Income Statement	$ 4,737	$ 1,109	$ 501	$ 614
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ 237	$ (1,441)	
Derivatives		$ (233)	$ 1,386	
Amounts related to interest settlements on derivatives		$ (4)	$ 192	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from AOCI	$ 144	$ 3		$ 1
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

(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 related to discontinued 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 78: Hedged Items - Fair Value Hedges

	June 30, 2020		December 31, 2019	
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)	$ 3,476	$ 124	$ 5,666	$ 59
Borrowed funds	$ 29,156	$ 1,991	$ 28,616	$ 548

(a) Includes $(.2) billion and $(.3) billion of fair value hedge adjustments primarily related to discontinued borrowed funds hedge relationships for June 30, 2020 and December 31, 2019, 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 $5 million and $80 million for the three and six months ended June 30, 2020, respectively, compared with $32 million and $14 million for the three and six months ended June 30, 2019, respectively.

Derivatives Not Designated As Hedging Instruments

For additional information on derivatives not designated as hedging instruments under GAAP, see Note 13 Financial Derivatives in our 2019 Form 10-K.

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

Table 79: Gains (Losses) on Derivatives Not Designated for Hedging

	Three months ended June 30		Six months ended June 30	
In millions	2020	2019	2020	2019
Derivatives used for mortgage banking activities:				
Interest rate contracts (a)	$ 125	$ 218	$ 779	$ 346
Derivatives used for customer-related activities:				
Interest rate contracts	38	41	40	39
Foreign exchange contracts and other (b)	29	30	40	53
Gains (losses) from customer-related activities (c)	67	71	80	92
Derivatives used for other risk management activities:				
Foreign exchange contracts and other (c)	(102)	(10)	105	(64)
Total gains (losses) from derivatives not designated as hedging instruments	$ 90	$ 279	$ 964	$ 374

(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 2019 Form 10-K.

Table 80 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of June 30, 2020 and December 31, 2019. 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 80 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 directly 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 80: 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, 2020							
Derivative assets							
Interest rate contracts:							
Over-the-counter cleared	$ 66			$ 66			$ 66
Over-the-counter	7,046	$ 515	$ 1,757	4,774		$ 674	4,100
Commodity contracts	657	443	61	153			153
Foreign exchange and other contracts	410	238	7	165		1	164
Total derivative assets	$ 8,179	$ 1,196	$ 1,825	$ 5,158	(a)	$ 675	$ 4,483
Derivative liabilities							
Interest rate contracts:							
Over-the-counter cleared	$ 48			$ 48			$ 48
Over-the-counter	2,070	$ 815	$ 1,111	144			144
Commodity contracts	635	267	25	343			343
Foreign exchange and other contracts	476	114	93	269			269
Total derivative liabilities	$ 3,229	$ 1,196	$ 1,229	$ 804	(b)		$ 804
December 31, 2019							
Derivative assets							
Interest rate contracts:							
Over-the-counter cleared	$ 14			$ 14			$ 14
Over-the-counter	2,969	$ 365	$ 593	2,011		$ 215	1,796
Commodity contracts	306	198	18	90			90
Foreign exchange and other contracts	213	127	5	81			81
Total derivative assets	$ 3,502	$ 690	$ 616	$ 2,196	(a)	$ 215	$ 1,981
Derivative liabilities							
Interest rate contracts:							
Over-the-counter cleared	$ 14			$ 14			$ 14
Over-the-counter	1,279	$ 475	$ 692	112			112
Commodity contracts	301	152	17	132			132
Foreign exchange and other contracts	425	63	81	281			281
Total derivative liabilities	$ 2,019	$ 690	$ 790	$ 539	(b)		$ 539

(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, 2020, we held cash, U.S. government securities and mortgage-backed securities totaling$2.7 billion under master netting agreements and other collateral agreements to collateralize net derivative assets due from counterparties, and we pledged cash totaling $2.0 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, 2020 was $3.1 billion for which we had posted collateral of $2.5 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, 2020 would be $.6 billion.

Note 14 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 Note 19 Legal Proceedings in Part II, Item 8 of our 2019 Form 10-K and in Note 13 Legal Proceedings in Part I, Item 1 of our first quarter 2020 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, 2020, we estimate that it is reasonably possible that we could incur losses in excess of related accrued liabilities, if any, 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 2019 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.

Other Regulatory and Governmental Inquiries

We are the subject of investigations, audits, examinations 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. From time to time, these inquiries, including those described in Prior Disclosure, may involve or lead to regulatory enforcement actions and other administrative proceedings, and may lead to civil or criminal judicial proceedings. Some of these inquiries result in remedies including fines, penalties, restitution, or alterations in our business practices, and in additional expenses and collateral costs and other consequences. Such remedies and other consequences typically have not been material to us from a financial standpoint, but could be in the future. Even if not financially material, they may result in significant reputational harm or other adverse consequences.

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 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 15 Segment Reporting

We have three reportable business segments:

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

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.

During the second quarter, we divested our entire 22.4% investment in BlackRock. See Note 2 Discontinued Operations for additional information on the sale and details on our results and cash flows for the three and six months ended June 30, 2020 and 2019. Following the sale and donation, PNC and its affiliates only hold shares of BlackRock stock in a fiduciary capacity for clients of PNC and its affiliates.

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, 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. The “Other” category also includes our BlackRock held for sale asset. Assets, revenue and earnings attributable to foreign activities were not material in the period presented for comparison.

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.

We have allocated the ALLL and the allowance for unfunded lending related commitments 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 81: Results of Businesses

Three months ended June 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Other	Consolidated (a)
2020					
Income Statement					
Net interest income	$ 1,390	$ 1,052	$ 89	$ (4)	$ 2,527
Noninterest income	585	726	204	34	1,549
Total revenue	1,975	1,778	293	30	4,076
Provision for credit losses	761	1,585	39	78	2,463
Depreciation and amortization	67	51	12	121	251
Other noninterest expense	1,433	622	205	4	2,264
Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests	(286)	(480)	37	(173)	(902)
Income taxes (benefit)	(63)	(122)	9	18	(158)
Net income (loss) from continuing operations	$ (223)	$ (358)	$ 28	$ (191)	$ (744)
Average Assets	$ 102,103	$ 199,254	$ 7,958	$ 147,998	$ 457,313
2019					
Income Statement					
Net interest income	$ 1,376	$ 897	$ 68	$ 157	$ 2,498
Noninterest income	657	661	286	113	1,717
Total revenue	2,033	1,558	354	270	4,215
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 from continuing operations before income taxes (benefit) and noncontrolling interests	425	760	105	134	1,424
Income taxes (benefit)	100	158	25	(44)	239
Net income from continuing operations	$ 325	$ 602	$ 80	$ 178	$ 1,185
Average Assets	$ 92,350	$ 163,897	$ 7,150	$ 133,565	$ 396,962

Six months ended June 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Other	Consolidated (a)
2020					
Income Statement					
Net interest income	$ 2,846	$ 2,002	$ 177	$ 13	$ 5,038
Noninterest income	1,373	1,420	408	173	3,374
Total revenue	4,219	3,422	585	186	8,412
Provision for credit losses	1,206	2,043	42	86	3,377
Depreciation and amortization	124	99	23	245	491
Other noninterest expense	2,912	1,296	413	(54)	4,567
Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests	(23)	(16)	107	(91)	(23)
Income taxes (benefit)	(1)	(28)	25	(34)	(38)
Net income (loss) from continuing operations	$ (22)	$ 12	$ 82	$ (57)	$ 15
Average Assets	$ 99,583	$ 185,878	$ 7,880	$ 141,533	$ 434,874
2019					
Income Statement					
Net interest income	$ 2,725	$ 1,774	$ 138	$ 336	$ 4,973
Noninterest income	1,252	1,237	503	311	3,303
Total revenue	3,977	3,011	641	647	8,276
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 from continuing operations before income taxes (benefit) and noncontrolling interests	773	1,456	163	326	2,718
Income taxes (benefit)	184	302	38	(73)	451
Net income from continuing operations	$ 589	$ 1,154	$ 125	$ 399	$ 2,267
Average Assets	$ 91,805	$ 160,551	$ 7,204	$ 131,901	$ 391,461

(a) There were no material intersegment revenues for the three and six months ended June 30, 2020 and 2019.

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 primarily in markets across the Mid-Atlantic, Midwest and Southeast. In 2018, Retail Banking launched its national expansion 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 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. 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. 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.

NOTE 16 FEE-BASED REVENUE FROM CONTRACTS WITH CUSTOMERS

As more fully described in Note 23 Fee-based Revenue from Contracts with Customers in our 2019 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. 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 is included in our 2019 Form 10-K.

Retail Banking

Table 82: Retail Banking Noninterest Income Disaggregation

	Three months ended June 30		Six months ended June 30	
In millions	2020	2019	2020	2019
Product				
Deposit account fees	$ 73	$ 154	$ 231	$ 302
Debit card fees	120	136	249	260
Brokerage fees	86	86	179	175
Merchant services	23	56	72	104
Net credit card fees (a)	39	51	80	99
Other	52	62	108	128
Total in-scope noninterest income by product	$ 393	$ 545	$ 919	$ 1,068
Reconciliation to total Retail Banking noninterest income				
Total in-scope noninterest income	$ 393	$ 545	$ 919	$ 1,068
Total out-of-scope noninterest income (b)	192	112	454	184
Total Retail Banking noninterest income	$ 585	$ 657	$ 1,373	$ 1,252

(a) Net credit card fees consists of interchange fees of $ 102 million and $126 million and credit card reward costs of $ 63 million and $75 million for the three months ended June 30, 2020 and 2019, respectively. Net credit card fees consists of interchange fees of $220 million and $238 million and credit card reward costs of $140 million and $139 million for the six months ended June 30, 2020 and 2019, 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.

Corporate & Institutional Banking

Table 83: Corporate & Institutional Banking Noninterest Income Disaggregation

	Three months ended June 30		Six months ended June 30	
In millions	2020	2019	2020	2019
Product				
Treasury management fees	$ 218	$ 212	$ 434	$ 411
Capital markets fees	187	149	362	276
Commercial mortgage banking activities	24	24	50	49
Other	17	19	37	36
Total in-scope noninterest income by product	$ 446	$ 404	$ 883	$ 772
Reconciliation to total Corporate & Institutional Banking noninterest income				
Total in-scope noninterest income	$ 446	$ 404	$ 883	$ 772
Total out-of-scope noninterest income (a)	280	257	537	465
Total Corporate & Institutional Banking noninterest income	$ 726	$ 661	$ 1,420	$ 1,237

(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 Group

Table 84: Asset Management Group Noninterest Income Disaggregation

	Three months ended June 30		Six months ended June 30	
In millions	2020	2019	2020	2019
Customer Type				
Personal	$ 151	$ 157	$ 301	$ 304
Institutional	48	64	99	129
Total in-scope noninterest income by customer type	$ 199	$ 221	$ 400	$ 433
Reconciliation to Asset Management Group noninterest income				
Total in-scope noninterest income	$ 199	$ 221	$ 400	$ 433
Total out-of-scope noninterest income (a)	5	65	8	70
Total Asset Management Group noninterest income	$ 204	$ 286	$ 408	$ 503

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

NOTE 17 SUBSEQUENT EVENTS

On July 31, 2020, PNC announced its upcoming redemption on September 1, 2020 of$480 million of Depositary Shares representing interests in PNC's 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q (the "Series Q Preferred Stock"). Each Depositary Share represents a 1/4,000th interest in a share of the Series Q Preferred Stock. The Depositary Shares will be redeemed at a redemption price of $25.00 per Depositary Share plus declared and unpaid dividends of $0.3359375 per Depositary Share, representing the dividend for the period from June 1, 2020 to, but excluding, September 1, 2020. All 19.2 million Depositary Shares currently outstanding will be redeemed.

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					
	2020			2019		
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	$ 51,068	$ 626	2.45%	$ 29,589	$ 434	2.93%
Non-agency	1,573	59	7.51%	1,845	71	7.64%
Commercial mortgage-backed	6,983	96	2.76%	5,457	84	3.09%
Asset-backed	5,156	73	2.82%	5,266	88	3.35%
U.S. Treasury and government agencies	15,697	161	2.03%	18,529	232	2.49%
Other	4,488	81	3.57%	3,453	57	3.34%
Total securities available for sale	84,965	1,096	2.58%	64,139	966	3.01%
Securities held to maturity						
Residential mortgage-backed	—	—	—	15,487	230	2.97%
Commercial mortgage-backed	—	—	—	585	10	3.55%
Asset-backed	37	—	2.65%	175	3	3.88%
U.S. Treasury and government agencies	781	11	2.84%	763	11	2.83%
Other	643	14	4.38%	1,834	42	4.42%
Total securities held to maturity	1,461	25	3.51%	18,844	296	3.13%
Total investment securities	86,426	1,121	2.59%	82,983	1,262	3.04%
Loans						
Commercial and industrial	141,159	2,278	3.19%	121,907	2,619	4.27%
Commercial real estate	28,491	466	3.23%	28,285	625	4.40%
Equipment lease financing	7,051	137	3.88%	7,274	145	4.00%
Consumer	57,082	1,454	5.12%	55,099	1,517	5.55%
Residential real estate	22,060	431	3.91%	19,147	409	4.28%
Total loans	255,843	4,766	3.71%	231,712	5,315	4.58%
Interest-earning deposits with banks	26,085	65	.50%	14,238	171	2.41%
Other interest-earning assets	10,167	144	2.84%	12,113	231	3.82%
Total interest-earning assets/interest income	378,521	6,096	3.21%	341,046	6,979	4.09%
Noninterest-earning assets	56,353			50,415		
Total assets	$ 434,874			$ 391,461		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 57,317	$ 118	.41%	$ 54,758	$ 315	1.16%
Demand	76,906	88	.23%	63,958	170	.53%
Savings	72,661	195	.54%	60,394	347	1.16%
Time deposits	21,506	115	1.06%	19,430	155	1.61%
Total interest-bearing deposits	228,390	516	.45%	198,540	987	1.00%
Borrowed funds						
Federal Home Loan Bank borrowings	13,000	89	1.36%	22,089	303	2.73%
Bank notes and senior debt	29,143	295	2.00%	26,145	451	3.43%
Subordinated debt	5,935	69	2.32%	5,704	124	4.34%
Other	7,131	48	1.34%	7,128	87	2.44%
Total borrowed funds	55,209	501	1.80%	61,066	965	3.14%
Total interest-bearing liabilities/interest expense	283,599	1,017	.71%	259,606	1,952	1.50%
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	84,086			71,526		
Accrued expenses and other liabilities	16,712			12,187		
Equity	50,477			48,142		
Total liabilities and equity	$ 434,874			$ 391,461		
Interest rate spread			2.50%			2.59%
Impact of noninterest-bearing sources			.17			.35
Net interest income/margin		$ 5,079	2.67%		$ 5,027	2.94%

(continued on following page)

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

Taxable-equivalent basis Dollars in millions	2020 Average Balances	2020 Interest Income/Expense	2020 Average Yields/Rates	2019 Average Balances	2019 Interest Income/Expense	2019 Average Yields/Rates
	Three months ended June 30					
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ 52,500	$ 300	2.29%	$ 30,169	$ 221	2.93%
Non-agency	1,529	27	7.13%	1,801	36	7.99%
Commercial mortgage-backed	7,232	46	2.59%	5,545	42	3.06%
Asset-backed	5,309	35	2.60%	5,395	45	3.34%
U.S. Treasury and government agencies	15,457	69	1.77%	18,815	118	2.48%
Other	4,952	44	3.47%	3,237	27	3.33%
Total securities available for sale	86,979	521	2.39%	64,962	489	3.01%
Securities held to maturity						
Residential mortgage-backed	—	—	—	15,350	112	2.93%
Commercial mortgage-backed	—	—	—	570	5	3.57%
Asset-backed	22	—	2.38%	172	1	3.92%
U.S. Treasury and government agencies	783	5	2.84%	765	6	2.84%
Other	646	7	4.27%	1,822	22	4.44%
Total securities held to maturity	1,451	12	3.47%	18,679	146	3.10%
Total investment securities	88,430	533	2.41%	83,641	635	3.03%
Loans						
Commercial and industrial	153,595	1,098	2.83%	124,441	1,328	4.22%
Commercial real estate	28,707	206	2.84%	28,423	318	4.43%
Equipment lease financing	7,035	68	3.82%	7,283	74	4.06%
Consumer	56,485	683	4.86%	55,202	766	5.56%
Residential real estate	22,292	215	3.86%	19,496	207	4.27%
Total loans	268,114	2,270	3.37%	234,845	2,693	4.56%
Interest-earning deposits with banks	34,600	9	.10%	13,469	80	2.38%
Other interest-earning assets	10,867	62	2.26%	13,145	116	3.55%
Total interest-earning assets/interest income	402,011	2,874	2.85%	345,100	3,524	4.06%
Noninterest-earning assets	55,302			51,862		
Total assets	$ 457,313			$ 396,962		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 61,346	$ 23	.15%	$ 54,814	$ 160	1.17%
Demand	82,881	16	.08%	64,431	89	.55%
Savings	75,345	57	.31%	61,949	183	1.19%
Time deposits	21,873	45	.80%	20,040	83	1.67%
Total interest-bearing deposits	241,445	141	.23%	201,234	515	1.03%
Borrowed funds						
Federal Home Loan Bank borrowings	12,559	31	1.00%	22,681	154	2.69%
Bank notes and senior debt	28,298	112	1.56%	26,865	228	3.36%
Subordinated debt	5,937	29	1.91%	5,526	58	4.17%
Other	6,435	15	.92%	7,263	44	2.44%
Total borrowed funds	53,229	187	1.39%	62,335	484	3.08%
Total interest-bearing liabilities/interest expense	294,674	328	.44%	263,569	999	1.51%
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	93,776			71,648		
Accrued expenses and other liabilities	16,989			13,122		
Equity	51,874			48,623		
Total liabilities and equity	$ 457,313			$ 396,962		
Interest rate spread			2.41%			2.55%
Impact of noninterest-bearing sources			.11			.36
Net interest income/margin		$ 2,546	2.52%		$ 2,525	2.91%

(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, 2020 and June 30, 2019 were $35 million and $43 million, respectively. Loan fees for the six months ended June 30, 2020 and June 30, 2019 were $79 million and $71 million, respectively.

(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, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net interest income (GAAP)	$ 5,038	$ 4,973	$ 2,527	$ 2,498
Taxable-equivalent adjustments	41	54	19	27
Net interest income (Non-GAAP)	$ 5,079	$ 5,027	$ 2,546	$ 2,525

(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 14 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 from any of the risk factors previously disclosed in our first quarter 2020 Form 10-Q and 2019 Form 10-K in response to Part II, Item 1A and Part I, Item 1A, respectively.

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

Unregistered Sales of Equity Securities

None.

Equity Security Repurchases

Details of our repurchases of PNC common stock during thesecond quarter of 2020 are included in the following table.

2020 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	16	$ 101.50	—	76,028
May 1 - 31 (c)	—	$ 105.99	—	76,028
June 1 - 30	—	$ —	—	76,028
Total	16	$ 101.50		

(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 2019 Annual Report on Form 10-K include additional information regarding our employee benefit and equity compensation plans that use PNC common stock.

(b) On April 4, 2019, our Board of Directors approved the establishment of a new stock repurchase program authorization in the amount of 100 million shares of PNC common stock, effective July 1, 2019. Under this authorization, repurchases may be made in the open market or privately negotiated transactions, with the timing and exact amount of common stock repurchases depending 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 2019, we announced share repurchase programs of up to $4.3 billion for the four quarter period beginning with the third quarter of 2019, in accordance with PNC's 2019 capital plan. In January 2020, we announced an increase to these programs to repurchase up to an additional $1.0 billion in common shares through the end of the second quarter of 2020. We announced on March 16, 2020 a temporary suspension of our common stock repurchase program in conjunction with the Federal Reserve's effort to support the U.S. economy during the pandemic, and will continue the suspension through the third quarter of 2020, with the exception of share repurchases to offset the effects of employee benefit plan-related issuances as permitted by recent guidance from the Federal Reserve. The estimated amount is $100 million in the third quarter of 2020, but the timing and amount of executed repurchases will be based on market conditions and other factors.

(c) Average price paid for immaterial amounts of PNC common stock purchased in connection with our various employee benefit plans generally related to shares used to cover employee payroll tax withholding requirements.

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

10.39	2020 Form of Performance Share Units Award Agreement
10.40	2020 Form of Restricted Share Units Award Agreement
10.41	2020 Form of Restricted Share Units Award Agreement - Senior Leader Program
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.INS	Inline XBRL Instance Document *
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline 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.

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

The PNC Financial Services Group, Inc.'s financial reports and information about 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.

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

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

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.

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 covering any 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 2019 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
462 South 4th Street, Suite 1600
Louisville, KY 40202
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 4, 2020 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 10.39

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN
* * *
PERFORMANCE SHARE UNITS AWARD AGREEMENT

This Agreement, which includes the attached appendices (this "Agreement") sets forth the terms and conditions of your performance share unit award made pursuant to The PNC Financial Services Group, Inc. 2016 Incentive Award Plan and any sub-plans thereto.

Appendix A to this Agreement sets forth additional terms and conditions of the Award, including restrictive covenant provisions. Appendix B to this Agreement sets forth certain definitions applicable to this Agreement generally. Appendix C to this Agreement sets forth the performance-based vesting conditions applicable to the Award and certain related definitions. Capitalized terms not otherwise defined in the body of this Agreement have the meaning ascribed to such terms in the Plan or Appendices A, B or C.

The Corporation and the Grantee named below (referenced in this Agreement as "you" or "your") agree as follows:

Subject to your timely acceptance of this Agreement (as described in Section A below), the Corporation grants to you the Award set forth below, subject to the terms and conditions of the Plan and this Agreement.

A.	**GRANT AND ACCEPTANCE OF PSUs**
GRANTEE	[Name]
GRANT DATE	[Date]
AWARD	Performance share units ("PSUs"), each representing a right to receive one Share, and related Dividend Equivalents, payable in cash.
TARGET	[# Shares] PSUs and related Dividend Equivalents
PERFORMANCE PERIOD	January 1, 2020 - December 31, 2022 (other than limited exceptions in the event of death or a Change of Control, as described in Appendix C).

AWARD ACCEPTANCE; AWARD EFFECTIVE DATE	You must accept this Award by delivering an executed unaltered copy of this Agreement to the Corporation within 30 days of your receipt of this Agreement. Upon such execution and delivery of this Agreement by both you and the Corporation, this Agreement is effective as of the Grant Date (the "Award Effective Date"). If you do not properly accept this Award, the Corporation may, in its sole discretion, cancel the Award at any time thereafter.

B. VESTING REQUIREMENTS

B.1 ***An Award becomes vested only upon satisfaction of both the service-based vesting requirements and the performance-based vesting requirements set forth below.***

SERVICE-BASED VESTING REQUIREMENTS	Except as otherwise provided in this Agreement, you must remain continuously employed through and including the Committee-determined Final Award Date (as defined in Appendix B) or such earlier date as prescribed by Section B.2 below.
PERFORMANCE-BASED VESTING REQUIREMENTS	Provided the service-based vesting requirements have been met, the Award will vest and become payable on the applicable Final Award Date upon the achievement of the performance goals set forth in Appendix C to this Agreement.

B.2 EFFECT OF TERMINATION OF EMPLOYMENT PRIOR TO THE FINAL AWARD DATE ON VESTING REQUIREMENTS

RETIREMENT	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC is terminated due to your Retirement, and not for Cause, then the service-based vesting requirements of the Award will be satisfied as of your Termination Date, but the Award will not vest and become payable until the Final Award Date, subject to satisfaction of the performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.
DISABILITY	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC is terminated by PNC due to your Disability, and not for Cause, then the service-based vesting requirements of the Award will be satisfied as of your Termination Date, but the Award will not vest and become payable until the Final Award Date, subject to satisfaction of the performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.

DEATH	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC ceases by reason of your death, or if you die after a termination of employment with PNC due to Disability or Retirement or following an Anticipatory Termination, but prior to the Final Award Date, then the service-based requirements of the Award will be satisfied as of your date of death, and the performance-based vesting requirements will be satisfied as further described in Appendix C.
ANTICIPATORY TERMINATION	Notwithstanding anything to the contrary in this Agreement, if your termination of employment with PNC is an Anticipatory Termination, then the service-based vesting requirements of the Award will be satisfied as of the Termination Date, but the Award will not vest and become payable until the Final Award Date, subject to satisfaction of the performance-based vesting requirements and your continued compliance with the terms of this Agreement.
TERMINATION FOLLOWING A CHANGE OF CONTROL	Notwithstanding anything to the contrary in this Agreement, if you have been continuously employed by PNC, including any successor entity, through the date of a Change of Control, and your employment with PNC is terminated following such Change of Control (but prior to the Final Award Date): (a) by PNC other than for Misconduct, (b) by you for Good Reason, or (c) for any reason (other than for Misconduct) on or after the first business day of the calendar year following the end of the Performance Period, (each, a "Qualifying Termination"), then the service-based requirements of the Award will be satisfied as of your Termination Date, and the performance-based vesting requirements will be satisfied as further described in Appendix C. For the avoidance of doubt, upon the occurrence of a Change of Control, the Award will not become vested until the service-based vesting requirements are satisfied, either as set forth in Section B.1. or as a result of your Retirement, your termination of employment by reason of death or Disability, or the occurrence of a Qualifying Termination.

C. FORFEITURE

C.1	**FORFEITURE UPON FAILURE TO MEET SERVICE-BASED VESTING REQUIREMENTS**	Except as otherwise provided in Section B.2 above, if you cease to be an employee of PNC prior to an applicable Final Award Date, you will not have satisfied the service-based vesting requirements and the Award will be automatically forfeited and cancelled as of your Termination Date. Upon such forfeiture or cancellation, neither you nor your successors, heirs, assigns or legal representatives will have any further rights or interest in the Award under this Agreement.
C.2	**FORFEITURE IN CONNECTION WITH DETRIMENTAL CONDUCT**	At any time prior to the Final Award Date, to the extent that PNC (acting through a PNC Designated Person) determines in its sole discretion (a) that you have engaged in Detrimental Conduct and (b) to forfeit and cancel all or a specified portion of the outstanding Award as a result of such determination, then such portion will be forfeited and cancelled effective as of the date of such determination.
C.3	**FORFEITURE UPON FAILURE TO SATISFY PERFORMANCE CONDITIONS**	If the final Corporate Performance Factor (as defined in Appendix C) is determined by the Committee to be 0.00%, the Award will be eligible to be forfeited and cancelled without payment of any consideration by PNC as of the date of such determination.
D.		**DIVIDEND EQUIVALENTS**
D.1	**GENERALLY**	As of the Award Effective Date, you will be entitled to earn accrued cash Dividend Equivalents on the vested Payout Share Units (defined in Appendix C), in an amount equal to the cash dividends that would have been paid (without interest or reinvestment) between the Grant Date and the Final Award Date, as though you were the record holder of such Payout Share Units, and such Payout Share Units had been issued and outstanding shares on the Grant Date through the Final Award Date.

D.2	**ACCRUED DIVIDEND EQUIVALENT PAYMENTS**	(a) Generally. Accrued Dividend Equivalents will vest and be paid out in cash, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A, if and when the Award vests and pays out (at which point such Dividend Equivalents will terminate). Dividend Equivalents are subject to the same vesting requirements and payout size adjustments as the Award. If the PSUs to which such Dividend Equivalents relate are forfeited and cancelled, such related Dividend Equivalents will also be forfeited and cancelled. (b) Payment Upon a Change of Control. Accrual of Dividend Equivalents will cease as of the Change of Control. Upon a Change of Control, Dividend Equivalents accrued (without reinvestment or interest) between the Grant Date and the Change of Control will vest and be paid out in cash, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A, if and when the Award vests and pays out, as if you were the record holder of the number of Shares equal to the number of vested Payout Share Units underlying the Award from the Grant Date through the date of the Change of Control.
E.		**PAYMENT OF THE AWARD**
E.1	**PAYMENT TIMING**	Except as otherwise provided below, vested Payout Share Units that remain outstanding will be settled as soon as practicable following the applicable Final Award Date (and no later than (x) December 31st following the year of death, in the event of your death, or (y) March 15th following the year the Award vests).

E.2 **FORM OF PAYMENT; AMOUNT**

(a) Payment Generally. Except as provided in subsection (b) below, your Final Award will be settled at the time set forth in Section E.1 by delivery to you of that number of whole Shares equal to the number of Payout Share Units under your Final Award, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A.

(b) Payment On or After a Change of Control.

Upon vesting on or after a Change of Control, vested Payout Share Units will be settled at the time set forth in Section E.1 by payment to you of cash in an amount equal to that number of whole Shares equal to the number of vested Payout Share Units, multiplied by the then current Fair Market Value of a share of Common Stock on the date of the Change of Control (subject to any applicable adjustment pursuant to Section 2 of Appendix A), less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A. Related accrued Dividend Equivalent payments will be paid to you in cash as described in Section D.2(b).

No interest will be paid with respect to any such payments made pursuant to this Section E.

F. **RESTRICTIVE COVENANTS**

Upon your acceptance of this Award, you shall become subject to the restrictive covenant provisions set forth in Section 1 of Appendix A.

G. **CLAWBACK**

The Award, and any right to receive and retain any Shares (if applicable), cash or other value pursuant to the Award, is subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under the Corporation's Incentive Compensation Adjustment and Clawback Policy, as in effect from time to time with respect to the Award, or any other applicable clawback, adjustment or similar policy in effect on or established after the Grant Date and to any clawback or recoupment that may be required by applicable law or regulation.

By accepting this Award, you agree that you are obligated to provide all assistance necessary to the Corporation to recover or recoup the Shares, cash or other value pursuant to the Award which are subject to recovery or recoupment pursuant to applicable law, government regulation, stock exchange listing requirement or PNC policy. Such assistance shall include completing any documentation necessary to recover or recoup the Shares, cash or other value pursuant to the Award from any accounts you maintain with PNC or any pending or future compensation.

A copy of the Incentive Compensation Adjustment and Clawback Policy is included in the materials distributed to you with this Agreement.

Exhibit 10.39

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

PERFORMANCE SHARE UNITS AWARD AGREEMENT

APPENDIX A

ADDITIONAL PROVISIONS

1. Restrictive Covenants. You and PNC acknowledge and agree that you have received adequate consideration with respect to enforcement of the provisions of this Section 1 by virtue of accepting this Award (regardless of whether the Award or any portion thereof is ultimately settled and paid to you); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent you from earning a living.

(a) Non-Solicitation; No-Hire. You agree to comply with the provisions of this Section 1(a) during the period of your employment with PNC and the 12-month period following your Termination Date, regardless of the reason for such termination of employment, as follows:

i. *Non-Solicitation*. You will not, directly or indirectly, either for your own benefit or purpose or for the benefit or purpose of any Person other than PNC, solicit, call on, do business with, or actively interfere with PNC's relationship with, or attempt to divert or entice away, any Person that you should reasonably know (A) is a customer of PNC for which PNC provides any services as of your Termination Date, or (B) was a customer of PNC for which PNC provided any services at any time during the 12 months preceding your Termination Date, or (C) was, as of your Termination Date, considering retention of PNC to provide any services.

ii. *No-Hire*. You will not, directly or indirectly, either for your own benefit or purpose or for the benefit or purpose of any Person other than PNC, employ or offer to employ, call on, or actively interfere with PNC's relationship with, or attempt to divert or entice away, any employee of PNC. You also will not assist any other Person in such activities.

Notwithstanding Section 1(a)(i) and Section 1(a)(ii) above, if your termination of employment with PNC is an Anticipatory Termination, then commencing immediately after your Termination Date, the provisions of Section 1(a)(i) and Section 1(a)(ii) will no longer apply and will be replaced with the following provision:

"No-Hire. You agree that you will not, for a period of one year after your Termination Date, employ or offer to employ, solicit, actively interfere with PNC or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any affiliate of PNC."

(b) Confidentiality. During your employment with PNC and thereafter regardless of the reason for termination of such employment, you will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of PNC whether or not conceived of or prepared by you, other than (i) information generally known in PNC's industry or acquired from public sources, (ii) as required in the course of employment by PNC, (iii) as required by any court, supervisory authority, administrative agency or applicable law, or (iv) with the prior written consent of PNC. Nothing in this Agreement, including this Section 1(b), is intended to limit you from reporting possible violations of law or regulation to any governmental entity or any self-regulatory organization or making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. You further understand and agree that you are not required to contact or receive consent from PNC before engaging in such communications with any such authorities.

(c) Ownership of Inventions. You will promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by you during the term of your employment with PNC, whether alone or with others, and that are (i) related directly or indirectly to the business or activities of PNC or (ii) developed with the use of any time, material, facilities or other resources of PNC ("Developments"). You agree to assign and hereby do assign to PNC or its designee all of your right, title and interest, including copyrights and patent rights, in and to all Developments. You will perform all actions and execute all instruments that PNC or any subsidiary will deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 1(c) will be performed by you without further compensation and will continue beyond your Termination Date.

(d) Enforcement Provisions. You understand and agree to the following provisions regarding enforcement of Section 1 of this Agreement:

i. *Equitable Remedies*. A breach of the provisions of Sections 1(a) – 1(c) will cause PNC irreparable harm, and PNC will therefore be entitled to seek issuance of immediate, as well as permanent, injunctive relief restraining you, and each and every person and entity acting in concert or participating with you, from initiation and/or continuation of such breach.

ii. *Tolling Period*. If it becomes necessary or desirable for PNC to seek compliance with the provisions of Section 1(a) by legal proceedings, the period during which you will comply with said provisions will extend for a period of 12 months from the date PNC institutes legal proceedings for injunctive or other relief.

iii. *Reform*. If any of Sections 1(a) – 1(c) are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which the restriction applies, it is the intent of both parties that the court reduce and reform the restriction so as to apply the greatest limitations considered enforceable by the court.

iv. *Waiver of Jury Trial.* Each of you and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 1(a) – 1(c).

v. *Application of Defend Trade Secrets Act.* Regardless of any other provision in this Agreement, you may be entitled to immunity and protection from retaliation under the Defend Trade Secrets Act of 2016 for disclosing trade secrets under certain limited circumstances, as set forth in PNC's Defend Trade Secrets Act policy. The policy is available for viewing on PNC's intranet under the "PNC Ethics" page.

2. Capital Adjustments upon a Change of Control. Upon the occurrence of a Change of Control, (a) the number, class and kind of PSUs then outstanding under the Award will automatically be adjusted to reflect the same changes as are made to outstanding shares of Common Stock generally, (b) the value per share unit of any share-denominated award amount will be measured by reference to the per share value of the consideration payable to a holder of Common Stock in connection with such Corporate Transaction or Transactions if applicable, and (c) with respect to stock-payable PSUs only, if the effect of the Corporate Transaction or Transactions on a holder of Common Stock is to convert that shareholder's holdings into consideration that does not consist solely (other than as to a minimal amount) of shares of Common Stock, then the entire value of any payment to be made to you will be made solely in cash at the applicable time specified in this Agreement.

3. Fractional Shares. No fractional Shares will be delivered to you. If the outstanding vested PSUs being settled in Shares include a fractional interest, such fractional interest will be eliminated by rounding down to the nearest whole share unit.

4. No Rights as a Shareholder. You will have no rights as a shareholder of the Corporation by virtue of this Award unless and until Shares are issued and delivered in settlement of the Award pursuant to and in accordance with this Agreement.

5. Transfer Restrictions.

(a) The Award may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If you are deceased at the time any outstanding vested PSUs are settled and paid out in accordance with the terms of this Agreement, such delivery of Shares, cash payment or other payment (as applicable) shall be made to the executor or administrator of your estate or to your other legal representative or, as permitted under the election procedures of the Plan's third-party administrator, to your designated beneficiary, in each case, as determined in good faith by the Corporation. Any delivery of Shares, cash payment or other payment made in good faith by the Corporation to your executor, other legal representative or permissible designated beneficiary, or retained by the Corporation for taxes pursuant to Section 6 of this Appendix A, shall extinguish all right to payment hereunder.

6. Withholding Taxes.

(a) You shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes), penalties and interest that you incur in connection hereunder. The Corporation will, at the time any withholding tax obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection therewith from amounts then payable hereunder to you.

(b) If any such withholding is required prior to the time amounts are payable to you hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to you or as otherwise determined by PNC.

(c) The Corporation will withhold cash from any amounts then payable to you hereunder that are settled in cash. Unless the Committee or PNC Designated Person determines otherwise, with respect to stock-payable PSUs only, the Corporation will retain whole Shares from any amounts then payable to you hereunder (or pursuant to any other PSUs previously awarded to you under the Plan) in the form of Shares. For purposes of this Section 6(c), Shares retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises (as such date is determined by the Corporation).

7. Employment. Neither the granting of the Award nor any payment with respect to such Award authorized hereunder nor any term or provision of this Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC to employ you for any period or in any way alter your status as an employee at will.

8. Miscellaneous.

(a) Subject to the Plan and Interpretations. In all respects the Award and this Agreement are subject to the terms and conditions of the Plan, which has been made available to you and is incorporated herein by reference. The terms of the Plan will not be considered an enlargement of any benefits under this Agreement. If the Plan and this Agreement conflict, the provisions of the Plan will govern. Interpretations of the Plan and this Agreement by the Committee are binding on you and PNC.

(b) Governing Law and Jurisdiction. This Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to this Agreement or claim of breach hereof will be brought exclusively in the Federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of this Agreement, you and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with this Agreement.

(c) Headings; Entire Agreement. Headings used in this Agreement are provided for reference and convenience only, are not considered part of this Agreement, and will not be employed in the construction of this Agreement. This Agreement, including any appendices or exhibits attached hereto, constitutes the entire agreement between you and PNC with respect to the subject matters addressed herein, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties concerning the subject matters hereof.

(d) Modification. Modifications or adjustments to the terms of this Agreement may be made by the Corporation as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement will be effective unless embodied in a separate, subsequent writing signed by you and by an authorized representative of the Corporation.

(e) No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of this Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

(f) Severability. The restrictions and obligations imposed by this Agreement are separate and severable, and it is the intent of both parties that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon you.

(g) Applicable Laws. Notwithstanding anything in this Agreement, PNC will not be required to comply with any term, covenant or condition of this Agreement if and to the extent prohibited by law, including but not limited to Federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC.

(h) Compliance with Section 409A of the Internal Revenue Code. It is the intention of the parties that the Award and this Agreement comply with the provisions of Section 409A of the Internal Revenue Code to the extent, if any, that such provisions are applicable. This Agreement will be administered in a manner consistent with this intent, including as set forth in Section 20 of the Plan. If the Award includes a “series of installment payments” (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Exhibit 10.39

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

PERFORMANCE SHARE UNITS AWARD AGREEMENT

APPENDIX B

DEFINITIONS

Certain Definitions. Except as otherwise provided, the following definitions apply for purposes of this Agreement.

"Anticipatory Termination" means a termination of employment where PNC terminates your employment with PNC (other than for Misconduct or Disability) prior to the date on which a Change of Control occurs, and you reasonably demonstrated that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control.

"Award Effective Date" has the meaning set forth in Section A of this Agreement.

"Change of Control" means:

(a) Any Person becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (x) the then-outstanding shares of Common Stock (the "Outstanding PNC Common Stock") or (y) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"). The following acquisitions will not constitute a Change of Control for purposes of this definition: (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any company controlled by, controlling or under common control with the Corporation (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined below) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock if the Incumbent Board (as defined below) as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied). For purposes of this definition, any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of the Corporation, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board will be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a "Business Combination"). A transaction otherwise meeting the definition of Business Combination will not be treated as a Change of Control if following completion of the transaction all or substantially all of the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of Common Stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

"Competitive Activity" means any participation in, employment by, ownership of any equity interest exceeding one percent in, or promotion or organization of, any Person other than PNC (1) engaged in business activities similar to some or all of the business activities of PNC during your employment or (2) engaged in business activities that you know PNC intends to enter within the next 12 months (or, if after your Termination Date, within the first 12 months after your Termination Date), in either case whether you are acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein. For purposes of Competitive Activity as defined herein (and as such similar term is defined in any equity-based award agreement held by you), the term "subsidiary" will not include any company in which PNC holds an interest pursuant to its merchant banking authority.

"Detrimental Conduct" means:

(a) You have engaged in, without the prior written consent of PNC (with consent to be given or withheld at PNC's sole discretion), in any Competitive Activity in the Restricted Territory at any time during the period of your employment with PNC and the 12-month period following your Termination Date;

(b) any act of fraud, misappropriation, or embezzlement by you against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) you are convicted (including a plea of guilty or of nolo contendere) of, or you enter into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of your employment or other service relationship with PNC.

You will be deemed to have engaged in Detrimental Conduct for purposes of this Agreement only if and when the Committee or other PNC Designated Person determines that you have engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to you. Detrimental Conduct will not apply to conduct by or activities of successors to the Award by will or the laws of descent and distribution in the event of your death.

No determination that you have engaged in Detrimental Conduct may be made (x) on or after your Termination Date if your termination of employment was an Anticipatory Termination or (y) between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control.

"Final Award Date" means (a) the date on which the Committee makes its determination as to the size of the payout to be paid out to you in accordance with this Agreement (such payout amount, the "Final Award"), if any, following the end of the Performance Period, (b) in the event of your death prior to the last calendar year of the Performance Period, the date on which the Committee makes its determination of a Final Award, if any, following the calendar year of your death, or (c) if a Change of Control has occurred prior to the date described in (a) and a Final Award has been authorized, the date upon which the service requirements are satisfied.

"Good Reason" means the definition of Good Reason contained in the Change of Control Employment Agreement between you and PNC or any substitute employment agreement entered into between you and PNC then in effect or, if none, the occurrence of any of the following events without your consent:

(a) the assignment of any duties to you inconsistent in any material respect with your position (including status, offices, titles and reporting requirements), or any other material diminution in such position, authority, duties or responsibilities;

(b) any material reduction in your rate of base salary or the amount of your annual bonus opportunity (or, if less, the bonus opportunity established for PNC's similarly situated employees for any year), or a material reduction in the level of any other employee benefits for which you are eligible receive below those offered to PNC's similarly situated employees;

(c) PNC's requiring you to be based at any office or location outside of a fifty (50)-mile radius from the office where you were employed on the Grant Date;

(d) any action or inaction that constitutes a material breach by PNC of any agreement entered into between you and PNC; or

(e) the failure by PNC to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of PNC to assume expressly and agree to perform this Agreement in the same manner and to the same extent that PNC would be required to perform it if no such succession had taken place.

Notwithstanding the foregoing, none of the events described above shall constitute Good Reason unless and until (i) you first notify PNC in writing describing in reasonable detail the condition which constitutes Good Reason within 90 days of its initial occurrence, (ii) PNC fails to cure such condition within 30 days after receipt of such written notice, and (iii) you terminate employment within two years of its initial occurrence.

Your mental or physical incapacity following the occurrence of an event described above in clauses (a) through (e) shall not affect your ability to terminate employment for Good Reason, and your death following delivery of a notice of termination for Good Reason shall not affect your estate's entitlement to severance payments benefits provided hereunder upon a termination of employment for Good Reason.

"Misconduct" means, as it relates to an Anticipatory Termination or following a Change of Control, (a) your willful and continued failure to substantially perform your duties with PNC (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that you have not substantially performed your duties; or (b) your willful engagement in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries. For purposes of clauses (a) and (b), no act or failure to act, on your part, shall be considered willful unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of PNC. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or your superior or based upon the advice of counsel for PNC, will be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of PNC.

Your cessation of employment will be deemed to be a termination of your employment with PNC for Misconduct only if and when there shall have been delivered to you, as part of the notice of your termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, you are guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to you, together with written notice that PNC believes that you are guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) you are given an opportunity, together with counsel, to be heard before the Board.

"Payout Share Units" refers to the performance-adjusted number of units that are eligible to vest.

"Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act.

"PNC Designated Person" means (a) the Committee or its delegate if you are (or were when you ceased to be an employee of PNC) either a Group 1 covered employee (Corporate Executive Group member) including any equivalent successor classification or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as PNC Designated Person for purposes of this Agreement.

"Qualifying Termination" has the meaning set forth in Section B of this Agreement.

"Restricted Territory" means (a) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in the United States or Canada as of the Termination Date, the United States and Canada, (b) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in the United Kingdom as of the Termination Date, the United Kingdom or (c) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in Germany as of the Termination Date, Germany or the United Kingdom.

"Retirement" means your termination of employment with PNC at any time for any reason (other than termination of employment by reason of your death, by PNC for Cause or by reason of termination of employment in connection with a divestiture of assets or a divestiture of one or more subsidiaries of PNC if the Committee or the CEO or his or her designee so determines prior to such divestiture) on or after the first date on which you have both attained at least age 55 and completed five years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

"Termination Date" means the last day of your employment with PNC. If you are employed by a Subsidiary that ceases to be a Subsidiary or ceases to be a consolidated subsidiary of the Corporation under U.S. generally accepted accounting principles and you do not continue to be employed by or otherwise have a Service Relationship with PNC, then for purposes of this Agreement, your employment with PNC terminates effective at the time this occurs.

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

PERFORMANCE SHARE UNITS AWARD AGREEMENT

APPENDIX C

PERFORMANCE-BASED VESTING CONDITIONS

The following table sets forth the performance-based vesting conditions of the Award:

1.	*General Overview and Definitions*	Performance-based vesting and payout of your Award is determined based on the level of satisfaction of three performance metrics during the Performance Period – two corporate performance metrics and one risk-related performance metric. These metrics are described in more detail in the paragraphs below. "PNC" for purposes of this Appendix C as it refers to performance-based vesting conditions means the Corporation and its consolidated subsidiaries for financial reporting purposes. Each performance metric will be measured or reviewed on an annual basis for each calendar year (i.e., calendar year 2020, calendar year 2021 and calendar year 2022) during the Performance Period (each, a "Performance Year"). A Performance Year may refer to a partial calendar year in certain limited circumstances (e.g., in connection with death or a Change of Control) as further described in this Appendix C. The three performance metrics are: 1. *Relative Average EPS Growth* - Annual growth in earnings per share, measured for each Performance Year and then averaged for the Performance Period and compared to similar performance of other members of PNC's Peer Group based on PNC's percentile rank using a continuous percentile rank calculation ("Relative Average EPS Growth"), where for purposes of this definition: a. "EPS" means the publicly-reported diluted earnings per share of PNC or other Peer Group members for the Performance Year, in each case as adjusted, on an after-tax basis, for the impact of the items set forth in paragraph 3 below (rounded to the nearest cent), and b. "EPS Growth," with respect to a given Performance Year, means the growth or decline in EPS achieved by PNC or other Peer Group members for that Performance Year as compared to EPS for the comparable period of the prior calendar year, expressed as a percentage (rounded to the nearest one-hundredth). c. "Peer Group" refers to the Committee-determined peer group as of the Grant Date. Performance will be measured based on the Peer Group on the last day of the Performance Period, taking into account name changes and the elimination from the Peer Group of any members since the beginning of the Performance Period (e.g., due to consolidation or merger). In the event of a merger of two members of the Peer Group during the Performance Period, the financial information of the resulting new company will be compared to that of the acquiring member of the Peer Group (as determined on a corporate accounting basis.) The Peer Group for this Award consists of the following members: PNC, Bank of America Corporation, Capital One Financial Corporation, Citizens Financial Group, Inc., Fifth Third Bancorp, JPMorgan Chase & Co., KeyCorp, M&T Bank Corporation, Regions Financial Corporation, Truist Financial Corp., U.S. Bancorp, and Wells Fargo & Company 2. *Average ROE* - Annual return on equity ("ROE"), with specified adjustments as described in paragraph 3, measured for each Performance Year and then averaged for the Performance Period ("Average ROE") and compared to specified performance targets established by the Committee. 3. *CET1 Ratio* - Whether PNC has met or exceeded the common equity Tier 1 capital spot ratio limit as then in effect and applicable to The PNC Financial Services Group, Inc. ("CET1 Ratio") (which may be on a pro forma fully phased-in basis, if applicable) as set forth in PNC's Enterprise Capital Management Policy (or any successor policy) and monitored at least quarterly. All performance metrics, including any adjustments, will be determined on the basis of: (x) with respect to PNC's absolute performance, PNC's internal financial information; (y) with respect to PNC's relative performance to other members of the Peer Group, either publicly-disclosed financial information or, in the case of PNC, internal financial information

		that is anticipated to be publicly disclosed in an upcoming filing with the SEC; and (z) with respect to other members of the Peer Group, publicly-disclosed financial information, in each case, only where such amounts can be reasonably determined as of the date immediately prior to the date the Committee makes its determination as to the size of the payout.

2.	*Calculating Corporate Performance Metrics*	*(a) Calculating Average ROE*. For each Performance Year, annual ROE (expressed as a percentage, rounded to the nearest one-hundredth) is calculated and adjusted for the items set forth in paragraph 3. At the end of the Performance Period, Average ROE is determined by calculating the average of PNC's annual ROE for each Performance Year, then rounding to the nearest one-hundredth. *(b) Calculating Relative Average EPS Growth*. Annual EPS Growth for PNC and each other member of the Peer Group is calculated for each Performance Year, adjusted for the items set forth in paragraph 3, expressed as a percentage and rounded to the nearest one-hundredth. At the end of the Performance Period, the annual EPS Growth percentages for each Performance Year are averaged. PNC's average EPS Growth is compared to the average of each other member of the Peer Group to determine PNC's percentile rank, based on a continuous percentile rank calculation and expressed as a percentage (rounded to the nearest one-hundredth). *(c) Calculating the Corporate Performance Factor.* (i) Once the Average ROE and Relative Average EPS Growth are determined, a corporate performance factor, expressed as a percentage, is calculated using the table attached as Exhibit 1, applying bilinear interpolation and rounding to the nearest one-hundredth (such percentage, the "Corporate Performance Factor"). The Corporate Performance Factor will range from 0.00% to 150.00%. The Corporate Performance Factor may be adjusted by the Committee as described in paragraph 7. (ii) In the event of your death or a Change of Control, the provisions of paragraph 8 will govern the calculation of the Corporate Performance Factor.

3.	*Adjustments to Corporate Performance Metrics*	For purposes of measuring (a) EPS Growth performance for PNC and other members of the Peer Group or (b) ROE for PNC, earnings or EPS performance results, as applicable, will be adjusted, on an after-tax basis, for the impact of any of the following where such impact occurs during a given Performance Year (or, if applicable, during the prior year comparison period for a given year): • discontinued operations (as such term is used under GAAP); • acquisition costs and merger integration costs; • in PNC's case, the net impact on PNC of significant gains or losses related to BlackRock transactions; and • items resulting from a change in U.S. federal tax law, which includes one-time adjustments to U.S. federal tax law (i.e., benefits or losses associated with the revaluation of assets or liabilities due to a change in tax law), but does not include (i) any going-forward changes to run rate income as a result of a change in U.S. federal tax law, to the extent such going-forward changes are reasonably determinable, or (ii) benefits or losses realized from the resolution of certain outstanding tax matters (e.g., court decision that reverses an earlier tax position) or changes in a company's organizational tax structure. In the case of the EPS growth metric and the ROE performance metric, there will be an additional adjustment to add the amount disclosed as provision for credit losses (or the equivalent) and subtract the amount disclosed as total net charge-offs. In the case of the EPS growth metric, the impact of any stock splits (whether in the form of a stock split or a stock dividend) may result in an additional adjustment. Adjustments will be made if the impact of such events occurs during a Performance Year (or partial year, if applicable), or, for purposes of determining EPS Growth, during the prior year comparison period for a Performance Year. The Committee may also take into account other unusual or nonrecurring adjustments (applied on a consistent basis) in determining the Final Award. After-tax adjustments for PNC and, where applicable, other members of the Peer Group, will be calculated using the same methodology for making such adjustments on an after-tax basis.

4.	*Applying the Risk Performance Metric*	*(a) CET1 Ratio Generally*. The Award is subject to one risk performance factor based on whether PNC has met or exceeded the CET1 Ratio as of the last day of each Performance Year. The current CET1 Ratio is 7.0%. *(b) Determination of Annual CET1 Ratio*. As soon as practicable following the end of the Performance Period, PNC will present information to the Committee relating to (i) the CET1 Ratio compared to (ii) the actual CET1 Ratio achieved by PNC with respect to each Performance Year, based on PNC's publicly reported financial results for the period ending on the applicable end date. • If PNC meets or exceeds the CET1 Ratio for each Performance Year, the risk performance metric is satisfied. • If PNC does not meet the CET1 Ratio for a Performance Year, 1/3 of the target number of PSUs are eligible for forfeiture on the Final Award Date. The Committee will conduct a final review and adjust the target number of PSUs accordingly as of the Final Award Date.
5.	*Risk Performance Review Adjustment*	In addition, and independent from the CET1 Ratio performance metric described in paragraph 4 above, on or prior to the Final Award Date, the Committee has the discretion to conduct a risk performance review relating to a risk-related action of potentially material consequence to PNC. If the Committee exercises its discretion to conduct a risk performance review, the Committee will review and determine if a downward adjustment for risk performance is appropriate. If so, the Committee will determine the size of the risk adjustment to the Corporate Performance Factor (including reducing such Corporate Performance Factor to zero.) Any determination to conduct a risk performance review will be made shortly after the close of the Performance Period, but no later than the 45th day following the close of the Performance Period, and any required review will be conducted no later than the end of the first quarter following the close of the Performance Period.

6.	*Committee Discretion*	Notwithstanding the levels of corporate and risk performance achieved by PNC, the Committee may use its discretion to reduce or increase the number of Payout Share Units (including a reduction to zero) as it deems equitable to maintain the intended economics of the Award in light of changed circumstances. Such circumstances are limited to external events affecting PNC, its financial statements or members of its Peer Group that are substantially outside of PNC's control and could not reasonably be planned for as of the Grant Date. *Discretion in Connection with a Change of Control.* The Committee will have no discretion to adjust the calculated maximum Payout Share Units following a Change of Control or during a Change of Control Coverage Period. In the event (a) your termination of employment with PNC is an Anticipatory Termination, (b) a Change of Control is pending, and (c) the Committee-determined Final Award Date occurs prior to the Change of Control, the Committee will have no discretion to adjust your calculated maximum Payout Share Units under these circumstances.

7.	*Calculation of Payout Share Units and Determination of Final Award*	Following the end of the Performance Period, the Committee reviews performance against the performance metrics and makes its determination as to the Final Award, as follows: (1) *Application of Risk Performance Metric* - The Committee first determines whether or not to reduce the target number of PSUs under the Award, based on the application of the risk performance metric, as follows: (a) If PNC has met or exceeded the CET1 Ratio for each Performance Year, there is no reduction in the number of target PSUs under the Award. (b) If PNC has not met the CET1 Ratio for any Performance Year, then for each Performance Year the CET1 Ratio was not met, the Committee can elect to reduce the target number of PSUs by one-third. *(2) Committee Review of Performance Factor* - Next, the Committee determines whether to approve the calculated Corporate Performance Factor, a lower percentage or a higher percentage based on application of any risk-related adjustment (described in paragraph 5) or other Committee discretion consistent with paragraph 6. *(3) Final Award Determination* - Once the Committee approves the final Corporate Performance Factor, it applies this percentage to (x) the target number of PSUs (as reduced for any failure to meet the CET1 Ratio during the Performance Period), and rounds down to the nearest whole share unit. The resulting amount is the number of Payout Share Units that are eligible to vest and be settled on the Final Award Date (i.e., the Final Award). **In no event can the size of the Final Award be greater than 150.00% of the target number of PSUs.** *(4) Special Rules Regarding the Final Award Date* – The Final Award will become vested and payable as of the Final Award Date, which term is defined in Appendix B. The Final Award Date is typically the date on which the Committee makes its determination as to the size of the payout to be paid out to you, but: • In the event of a Change of Control, the amount of Payout Share Units will be calculated (as of the date of the Change of Control) as described in paragraph 8 below and determination of the Final Award will be made as soon as practicable after the Change of Control. • In the event of your death (prior to a Change of Control), the amount of Payout Share Units will be calculated as described in paragraph 8 below as soon as practicable following the calendar year of your death. In the event of your death following a Change of Control, the Payout Share Units and the Final Award Date will be determined as described above.

8.	*Determination of Payout Share Units Upon Death or a Change of Control*	
	Death	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC ceases by reason of your death (or if you die following a termination of employment with PNC due to Disability or Retirement or following an Anticipatory Termination), but prior to the Committee-determined Final Award Date, then the total number of Payout Share Units is calculated based on (a) target corporate performance for all Performance Years and (b) actual risk performance for the completed Performance Years and the Performance Year in which the date of death occurs, and no risk adjustments for any remaining years in the Performance Period. The amount of Payout Share Units is rounded down to the nearest whole share unit. This amount is not pro-rated, but remains subject to the Committee's exercise of discretion. If a Change of Control occurs after your death and in the same calendar year of your death (but prior to the time the Committee makes a Final Award determination), the Final Award will be calculated as described below under "Change of Control" as though you remained continuously employed with PNC as of the Change of Control.
	Change of Control	Upon a Change of Control, the total number of Payout Share Units is calculated based on (a) target corporate performance for all Performance Years and (b) actual risk performance for the completed Performance Years, rounded down to the nearest whole share unit. For any remaining Performance Years (including the year of the Change of Control), if the CET1 Ratio was not met or exceeded as of the quarter-end immediately preceding the Change of Control, then for each Performance Year, one-third of the target number of PSUs will be forfeited and expire as of the Change of Control. The Committee does not have discretion to adjust this amount of Payout Share Units.

9.	*Definition of Change of Control Coverage Period*	"Change of Control Coverage Period" means a period commencing on the occurrence of a Change of Control Triggering Event (defined below) and ending upon the earlier to occur of (a) the date of a Change of Control Failure (defined below) and (b) the date of a Change of Control. After the termination of any Change of Control Coverage Period, another Change of Control Coverage Period will commence upon the occurrence of another Change of Control Triggering Event. For purposes of this definition: • a "Change of Control Triggering Event" means the occurrence of either of the following: (i) the Board or the Corporation's shareholders approve a Business Combination, other than an Excluded Combination (as defined in the definition of Change of Control in Appendix B), or (ii) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board • a "Change of Control Failure" means: (x) with respect to a Change of Control Triggering Event, the Corporation's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or (y) with respect to a Change of Control Triggering Event described in clause (ii) of the definition above, the proxy contest fails to replace or remove a majority of the members of the Board.
10.	*Committee Determination*	The Committee may make prospective adjustments to the Award. All determinations made by the Committee or otherwise by PNC hereunder shall be made in its sole discretion and shall be final, binding and conclusive for all purposes on all parties.

EXHIBIT 1: CORPORATE PERFORMANCE FACTOR

Once Average ROE and Relative Average EPS Growth are determined, the Corporate Performance Factor is calculated using the table below.

Bilinear interpolation applies for performance between the threshold and maximum levels (in either direction). If Average ROE falls below the threshold in the table below, and PNC's percentile rank relating to average relative EPS is at or below the 25th percentile, the award is eligible for forfeiture.

The calculated payout percentage will range from 0.00% to 150.00%.

		Three-year average EPS Growth (relative)		
		PNC Percent Rank at the 25th percentile or below	*PNC Percent Rank at the 50th percentile*	*PNC Percent Rank at the 75th percentile or above*
Three-year average ROE (absolute)	13.00%	100.0%	125.0%	150.0%
	12.25%	87.5%	112.5%	137.5%
	11.25%	75.0%	100.0%	125.0%
	10.25%	62.5%	87.5%	100.0%
	8.50%	50.0%	75.0%	87.5%
	Below	0.0%	25.0%	50.0%

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

ATTEST:

By:

ACCEPTED AND AGREED TO by GRANTEE

____

Grantee

Exhibit 10.40

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN
* * *
RESTRICTED SHARE UNITS AWARD AGREEMENT

This Agreement sets forth the terms and conditions of your restricted share unit award made pursuant to The PNC Financial Services Group, Inc. 2016 Incentive Award Plan and any sub-plans thereto (this "Agreement").

Appendix A to this Agreement sets forth additional terms and conditions of the Award, including restrictive covenant provisions. Appendix B to this Agreement sets forth certain definitions applicable to this Agreement generally. Appendix C to this Agreement sets forth the risk performance-based vesting conditions applicable to the Award and certain related definitions. Capitalized terms not otherwise defined in the body of this Agreement have the meaning ascribed to such terms in the Plan or Appendices A, B or C.

The Corporation and the Grantee named below (referenced in this Agreement as "you" or "your") agree as follows:

Subject to your timely acceptance of this Agreement (as described in Section A below), the Corporation grants to you the Award set forth below, subject to the terms and conditions of the Plan and this Agreement.

A.		GRANT AND ACCEPTANCE OF RSUs
	GRANTEE	[Name]
	GRANT DATE	[Date]
	AWARD	[# Shares] Restricted share units ("RSUs"), each representing a right to receive one Share, and related Dividend Equivalents award, payable in cash.
	AWARD ACCEPTANCE; AWARD EFFECTIVE DATE	You must accept this Award by delivering an executed unaltered copy of this Agreement to the Corporation within 30 days of your receipt of this Agreement. Upon such execution and delivery of this Agreement by both you and the Corporation, this Agreement is effective as of the Grant Date (the "Award Effective Date"). If you do not properly accept this Award, the Corporation may, in its sole discretion, cancel the Award at any time thereafter.

B.	VESTING REQUIREMENTS
B.1	***An Award becomes vested only upon satisfaction of both the service-based vesting requirements and the risk performance-based vesting requirements set forth below.***

SERVICE-BASED VESTING REQUIREMENTS	The Award is divided into three approximately equal portions that will satisfy the service-based vesting requirements ratably over three years (each portion, a "Tranche") on three "Scheduled Vesting Dates", as follows: • the service-based vesting requirement for the first Tranche will be satisfied on the 1st anniversary of the Grant Date, • the service-based vesting requirement for the second Tranche will be satisfied on the 2nd anniversary of the Grant Date, and • the service-based vesting requirement for the third Tranche will be satisfied on the 3rd anniversary of the Grant Date; in each case, provided you remain continuously employed by PNC through and including the applicable Scheduled Vesting Date (or such earlier date as prescribed by Section B.2 below).
RISK PERFORMANCE-BASED VESTING REQUIREMENTS	Provided the service-based vesting requirements have been met, each Tranche will vest on the applicable Scheduled Vesting Date upon satisfaction of the risk performance metric applicable to that Tranche, as set forth in Appendix C to this Agreement.

B.2 EFFECT OF TERMINATION OF EMPLOYMENT PRIOR TO SCHEDULED VESTING DATE(S) ON VESTING REQUIREMENTS

RETIREMENT	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC is terminated due to your Retirement, and not for Cause, then the service-based vesting requirements of the Award will be satisfied as of your Termination Date, but the Award will not vest and become payable until the Scheduled Vesting Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.
DISABILITY	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC is terminated by PNC due to your Disability, and not for Cause, then the service-based vesting requirements of the Award will be satisfied as of your Termination Date, but the Award will not vest and become payable until the Scheduled Vesting Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.

	DEATH	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC ceases by reason of your death, or if you die after a termination of employment with PNC due to Disability or Retirement or by reason of an Anticipatory Termination, but prior to a Change of Control or any Scheduled Vesting Date(s), then the service-based requirements of the Award will be satisfied as of your date of death, and the risk performance-based vesting requirements will be satisfied as further described in Appendix C.
	ANTICIPATORY TERMINATION	Notwithstanding anything to the contrary in this Agreement, if your termination of employment with PNC is an Anticipatory Termination, then the service-based vesting requirements of the Award will be satisfied as of the Termination Date, but the Award will not vest and become payable until the Scheduled Vesting Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms of this Agreement.
	TERMINATION FOLLOWING A CHANGE OF CONTROL	Notwithstanding anything to the contrary in this Agreement, if you have been continuously employed by PNC, including any successor entity, through the date of a Change of Control, and your employment with PNC is terminated following such Change of Control but prior to a Scheduled Vesting Date(s), either (a) by PNC other than for Misconduct or (b) by you for Good Reason (a "Qualifying Termination"), then the service-based requirements of the Award will be satisfied as of your Termination Date, and the risk performance-based vesting requirements will be satisfied with respect to any outstanding Tranches as described in Appendix C. For the avoidance of doubt, upon the occurrence of a Change of Control, the Award will not become vested until the service-based vesting requirements are satisfied, either on the Scheduled Vesting Dates as set forth in Section B.1. or as a result of your Retirement, your termination of employment by reason of death, Disability or an Anticipatory Termination or the occurrence of a Qualifying Termination.
C.		**FORFEITURE**
C.1	**FORFEITURE UPON FAILURE TO MEET VESTING REQUIREMENTS**	Except as otherwise provided in Section B.2 above, if you cease to be an employee of PNC prior to an applicable Scheduled Vesting Date and the satisfaction of the risk performance-based vesting requirements, you will not have satisfied the vesting requirements and the outstanding portion of the Award will be automatically forfeited and cancelled as of your Termination Date.

C.2	**FORFEITURE IN CONNECTION WITH DETRIMENTAL CONDUCT**	At any time prior to a Scheduled Vesting Date, to the extent that PNC (acting through a PNC Designated Person) determines in its sole discretion (a) that you have engaged in Detrimental Conduct and (b) to forfeit and cancel all or a specified portion of the outstanding Award as a result of such determination, then such portion will be forfeited and cancelled effective as of the date of such determination. Upon such determination, neither you nor your successors, heirs, assigns or legal representatives will have any further rights or interest in the Award under this Agreement.

D.	**DIVIDEND EQUIVALENTS**	
D.1	**GENERALLY**	As of the Award Effective Date, you will be entitled to earn accrued cash Dividend Equivalents on the final number of vested RSUs for each Tranche, in an amount equal to the cash dividends that would have been paid (without interest or reinvestment) between the Grant Date and the Scheduled Vesting Date for that Tranche (or such earlier date in the event of your death or a Change of Control), as though you were the record holder of such RSUs, and such RSUs had been issued and outstanding shares on the Grant Date through the Scheduled Vesting Date for that Tranche (or such earlier date in the event of your death or a Change of Control).

D.2	**ACCRUED DIVIDEND EQUIVALENT PAYMENTS**	(a) Generally. Accrued Dividend Equivalents will vest and be paid out in cash, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A, if and when the applicable Tranche vests and pays out (at which point such Dividend Equivalents will terminate). Dividend Equivalents are subject to the same vesting requirements and payout size adjustments as the Tranche to which they relate. If the RSUs to which such Dividend Equivalents relate are forfeited and cancelled, such related Dividend Equivalents will also be forfeited and cancelled without payment of any consideration by PNC. (b) Payment Upon a Change of Control. Accrual of Dividend Equivalents will cease as of the Change of Control. Upon a Change of Control, Dividend Equivalents accrued (without reinvestment or interest) between the Grant Date and the Change of Control will vest and be paid out in cash, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A, if and when the applicable Tranche vests and pays out, as if you were the record holder of the number of Shares equal to the number of vested RSUs underlying such Tranche from the Grant Date through the date of the Change of Control.

E.		**PAYMENT OF THE AWARD**
E.1	**PAYMENT TIMING**	Except as otherwise provided below, vested RSUs that remain outstanding will be settled as soon as practicable following (i) the applicable Scheduled Vesting Date (but no later than March 15th following the year the applicable Scheduled Vesting Date occurs), or (ii) your date of death, if your date of death is prior to the last Scheduled Vesting Date (but no later than December 31st of the year following the year of your death).

E.2	**FORM OF PAYMENT; AMOUNT**	(a) Payment Generally. Except as provided in subsection (b) below, vested RSUs will be settled at the time set forth in this Section E.1 by delivery to you of that number of whole Shares equal to the number of RSUs less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A. (b) Payment On or After a Change of Control. Upon vesting on or after a Change of Control, vested RSUs will be settled at the time set forth in Section E.1 by payment to you of cash in an amount equal to that number of whole Shares equal to the number of vested RSUs, multiplied by the then current Fair Market Value of a share of Common Stock on the date of the Change of Control (subject to any applicable adjustment pursuant to Section 2 of Appendix A), less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A. Related accrued Dividend Equivalent payments will be paid to you in cash as described in Section D.2(b). No interest will be paid with respect to any such payments made pursuant to this Section E.
F.	**RESTRICTIVE COVENANTS**	Upon your acceptance of this Award, you shall become subject to the restrictive covenant provisions set forth in Section 1 of Appendix A.
G.	**CLAWBACK**	The Award, and any right to receive and retain any Shares (if applicable), cash or other value pursuant to the Award, is subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under the Corporation's Incentive Compensation Adjustment and Clawback Policy, as in effect from time to time with respect to the Award, or any other applicable clawback, adjustment or similar policy in effect on or established after the Grant Date and to any clawback or recoupment that may be required by applicable law or regulation. By accepting this Award, you agree that you are obligated to provide all assistance necessary to the Corporation to recover or recoup the Shares, cash or other value pursuant to the Award which are subject to recovery or recoupment pursuant to applicable law, government regulation, stock exchange listing requirement or PNC policy. Such assistance shall include completing any documentation necessary to recover or recoup the Shares, cash or other value pursuant to the Award from any accounts you maintain with PNC or any pending or future compensation. A copy of the Incentive Compensation Adjustment and Clawback Policy is included in the materials distributed to you with this Agreement.

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNITS AWARD AGREEMENT

APPENDIX A

ADDITIONAL PROVISIONS

1. Restrictive Covenants. You and PNC acknowledge and agree that you have received adequate consideration with respect to enforcement of the provisions of this Section 1 by virtue of accepting this Award (regardless of whether the Award or any portion thereof is ultimately settled and paid to you); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent you from earning a living.

(a) Non-Solicitation; No-Hire. You agree to comply with the provisions of this Section 1(a) during the period of your employment with PNC and the 12-month period following your Termination Date, regardless of the reason for such termination of employment, as follows:

i. *Non-Solicitation*. You will not, directly or indirectly, either for your own benefit or purpose or for the benefit or purpose of any Person other than PNC, solicit, call on, do business with, or actively interfere with PNC's relationship with, or attempt to divert or entice away, any Person that you should reasonably know (A) is a customer of PNC for which PNC provides any services as of your Termination Date, or (B) was a customer of PNC for which PNC provided any services at any time during the 12 months preceding your Termination Date, or (C) was, as of your Termination Date, considering retention of PNC to provide any services.

ii. *No-Hire*. You will not, directly or indirectly, either for your own benefit or purpose or for the benefit or purpose of any Person other than PNC, employ or offer to employ, call on, or actively interfere with PNC's relationship with, or attempt to divert or entice away, any employee of PNC. You also will not assist any other Person in such activities.

Notwithstanding Section 1(a)(i) and Section 1(a)(ii) above, if your termination of employment with PNC is an Anticipatory Termination, then commencing immediately after your Termination Date, the provisions of Section 1(a)(i) and Section 1(a)(ii) will no longer apply and will be replaced with the following provision:

"No-Hire. You agree that you will not, for a period of one year after your Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any affiliate of PNC."

(b) Confidentiality. During your employment with PNC and thereafter regardless of the reason for termination of such employment, you will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of PNC whether or not conceived of or prepared by you, other than (i) information generally known in PNC's industry or acquired from public sources, (ii) as required in the course of employment by PNC, (iii) as required by any court, supervisory authority, administrative agency or applicable law, or (iv) with the prior written consent of PNC. Nothing in this Agreement, including this Section 1(b), is intended to limit you from reporting possible violations of law or regulation to any governmental entity or any self-regulatory organization or making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. You further understand and agree that you are not required to contact or receive consent from PNC before engaging in such communications with any such authorities.

(c) Ownership of Inventions. You will promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by you during the term of your employment with PNC, whether alone or with others, and that are (i) related directly or indirectly to the business or activities of PNC or (ii) developed with the use of any time, material, facilities or other resources of PNC ("Developments"). You agree to assign and hereby do assign to PNC or its designee all of your right, title and interest, including copyrights and patent rights, in and to all Developments. You will perform all actions and execute all instruments that PNC or any subsidiary will deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 1(c) will be performed by you without further compensation and will continue beyond your Termination Date.

(d) Enforcement Provisions. You understand and agree to the following provisions regarding enforcement of Section 1 of this Agreement:

i. *Equitable Remedies*. A breach of the provisions of Sections 1(a) – 1(c) will cause PNC irreparable harm, and PNC will therefore be entitled to seek issuance of immediate, as well as permanent, injunctive relief restraining you, and each and every person and entity acting in concert or participating with you, from initiation and/or continuation of such breach.

ii. *Tolling Period*. If it becomes necessary or desirable for PNC to seek compliance with the provisions of Section 1(a) by legal proceedings, the period during which you will comply with said provisions will extend for a period of 12 months from the date PNC institutes legal proceedings for injunctive or other relief.

iii. *Reform*. If any of Sections 1(a) – 1(c) are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which the restriction applies, it is the intent of both parties that the court reduce and reform the restriction so as to apply the greatest limitations considered enforceable by the court.

iv. *Waiver of Jury Trial.* Each of you and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 1(a) – 1(c).

v. *Application of Defend Trade Secrets Act.* Regardless of any other provision in this Agreement, you may be entitled to immunity and protection from retaliation under the Defend Trade Secrets Act of 2016 for disclosing trade secrets under certain limited circumstances, as set forth in PNC's Defend Trade Secrets Act policy. The policy is available for viewing on PNC's intranet under the "PNC Ethics" page.

2. Capital Adjustments upon a Change of Control. Upon the occurrence of a Change of Control, (a) the number, class and kind of RSUs then outstanding under the Award will automatically be adjusted to reflect the same changes as are made to outstanding shares of Common Stock generally, (b) the value per share unit of any share-denominated award amount will be measured by reference to the per share value of the consideration payable to a holder of Common Stock in connection with such Corporate Transaction or Transactions if applicable, and (c) with respect to stock-payable RSUs only, if the effect of the Corporate Transaction or Transactions on a holder of Common Stock is to convert that shareholder's holdings into consideration that does not consist solely (other than as to a minimal amount) of shares of Common Stock, then the entire value of any payment to be made to you will be made solely in cash at the applicable time specified in this Agreement.

3. Fractional Shares. No fractional Shares will be delivered to you. If the outstanding vested RSUs being settled in Shares include a fractional interest, such fractional interest will be eliminated by rounding down to the nearest whole share unit.

4. No Rights as a Shareholder. You will have no rights as a shareholder of the Corporation by virtue of this Award unless and until Shares are issued and delivered in settlement of the Award pursuant to and in accordance with this Agreement.

5. Transfer Restrictions.

(a) The Award may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If you are deceased at the time any outstanding vested RSUs are settled and paid out in accordance with the terms of this Agreement, such delivery of Shares, cash payment or other payment (as applicable) shall be made to the executor or administrator of your estate or to your other legal representative or, as permitted under the election procedures of the Plan's third-party administrator, to your designated beneficiary, in each case, as determined in good faith by the Corporation. Any delivery of Shares, cash payment or other payment made in good faith by the Corporation to your executor, other legal representative or permissible designated beneficiary, or retained by the Corporation for taxes pursuant to Section 6 of this Appendix A, shall extinguish all right to payment hereunder.

6. Withholding Taxes.

(a) You shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes), penalties and interest that you incur in connection hereunder. The Corporation will, at the time any withholding tax obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by PNC in connection therewith from amounts then payable hereunder to you.

(b) If any such withholding is required prior to the time amounts are payable to you hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to you or as otherwise determined by PNC.

(c) The Corporation will withhold cash from any amounts then payable to you hereunder that are settled in cash. Unless the Committee or PNC Designated Person determines otherwise, with respect to stock-payable RSUs only, the Corporation will retain whole Shares from any amounts then payable to you hereunder (or pursuant to any other RSUs previously awarded to you under the Plan) in the form of Shares. For purposes of this Section 6(c), Shares retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises (as such date is determined by the Corporation).

7. Employment. Neither the granting of the Award nor any payment with respect to such Award authorized hereunder nor any term or provision of this Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC to employ you for any period or in any way alter your status as an employee at will.

8. Miscellaneous.

(a) Subject to the Plan and Interpretations. In all respects the Award and this Agreement are subject to the terms and conditions of the Plan, which has been made available to you and is incorporated herein by reference. The terms of the Plan will not be considered an enlargement of any benefits under this Agreement. If the Plan and this Agreement conflict, the provisions of the Plan will govern. Interpretations of the Plan and this Agreement by the Committee are binding on you and PNC.

(b) Governing Law and Jurisdiction. This Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to this Agreement or claim of breach hereof will be brought exclusively in the Federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of this Agreement, you and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with this Agreement.

(c) Headings; Entire Agreement. Headings used in this Agreement are provided for reference and convenience only, are not considered part of this Agreement, and will not be employed in the construction of this Agreement. This Agreement, including any appendices or exhibits attached hereto, constitutes the entire agreement between you and PNC with respect to the subject matters addressed herein, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties concerning the subject matters hereof.

(d) Modification. Modifications or adjustments to the terms of this Agreement may be made by the Corporation as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement will be effective unless embodied in a separate, subsequent writing signed by you and by an authorized representative of the Corporation.

(e) No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of this Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

(f) Severability. The restrictions and obligations imposed by this Agreement are separate and severable, and it is the intent of both parties that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon you.

(g) Applicable Laws. Notwithstanding anything in this Agreement, PNC will not be required to comply with any term, covenant or condition of this Agreement if and to the extent prohibited by law, including but not limited to Federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC.

(h) Compliance with Section 409A of the Internal Revenue Code. It is the intention of the parties that the Award and this Agreement comply with the provisions of Section 409A of the Internal Revenue Code to the extent, if any, that such provisions are applicable. This Agreement will be administered in a manner consistent with this intent, including as set forth in Section 20 of the Plan. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNITS AWARD AGREEMENT

APPENDIX B

DEFINITIONS

Certain Definitions. Except as otherwise provided, the following definitions apply for purposes of this Agreement.

"Anticipatory Termination" means a termination of employment where PNC terminates your employment with PNC (other than for Misconduct or Disability) prior to the date on which a Change of Control occurs, and you reasonably demonstrated that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control.

"Award Effective Date" has the meaning set forth in Section A of this Agreement.

"Change of Control" means:

(a) Any Person becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (x) the then-outstanding shares of Common Stock (the "Outstanding PNC Common Stock") or (y) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"). The following acquisitions will not constitute a Change of Control for purposes of this definition: (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any company controlled by, controlling or under common control with the Corporation (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined below) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock if the Incumbent Board (as defined below) as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied). For purposes of this definition, any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of the Corporation, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board will be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a "Business Combination"). A transaction otherwise meeting the definition of Business Combination will not be treated as a Change of Control if following completion of the transaction all or substantially all of the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of Common Stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

"Competitive Activity" means any participation in, employment by, ownership of any equity interest exceeding one percent in, or promotion or organization of, any Person other than PNC (1) engaged in business activities similar to some or all of the business activities of PNC during your employment or (2) engaged in business activities that you know PNC intends to enter within the next 12 months (or, if after your Termination Date, within the first 12 months after your Termination Date), in either case whether you are acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein. For purposes of Competitive Activity as defined herein (and as such similar term is defined in any equity-based award agreement held by you), the term "subsidiary" will not include any company in which PNC holds an interest pursuant to its merchant banking authority.

"Detrimental Conduct" means:

(a) You have engaged in, without the prior written consent of PNC (with consent to be given or withheld at PNC's sole discretion), in any Competitive Activity in the Restricted Territory at any time during the period of your employment with PNC and the 12-month period following your Termination Date;

(b) any act of fraud, misappropriation, or embezzlement by you against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) you are convicted (including a plea of guilty or of nolo contendere) of, or you enter into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of your employment or other service relationship with PNC.

You will be deemed to have engaged in Detrimental Conduct for purposes of this Agreement only if and when the Committee or other PNC Designated Person determines that you have engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to you. Detrimental Conduct will not apply to conduct by or activities of successors to the Award by will or the laws of descent and distribution in the event of your death.

No determination that you have engaged in Detrimental Conduct may be made (x) on or after your Termination Date if your termination of employment was an Anticipatory Termination or (y) between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control.

"Good Reason" means the definition of Good Reason contained in the Change of Control Employment Agreement between you and PNC or any substitute employment agreement entered into between you and PNC then in effect or, if none, the occurrence of any of the following events without your consent:

(a) the assignment of any duties to you inconsistent in any material respect with your position (including status, offices, titles and reporting requirements), or any other material diminution in such position, authority, duties or responsibilities;

(b) any material reduction in your rate of base salary or the amount of your annual bonus opportunity (or, if less, the bonus opportunity established for PNC's similarly situated employees for any year), or a material reduction in the level of any other employee benefits for which you are eligible receive below those offered to PNC's similarly situated employees;

(c) PNC's requiring you to be based at any office or location outside of a fifty (50)-mile radius from the office where you were employed on the Grant Date;

(d) any action or inaction that constitutes a material breach by PNC of any agreement entered into between you and PNC; or

(e) the failure by PNC to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of PNC to assume expressly and agree to perform this Agreement in the same manner and to the same extent that PNC would be required to perform it if no such succession had taken place.

Notwithstanding the foregoing, none of the events described above shall constitute Good Reason unless and until (i) you first notify PNC in writing describing in reasonable detail the condition which constitutes Good Reason within 90 days of its initial occurrence, (ii) PNC fails to cure such condition within 30 days after receipt of such written notice, and (iii) you terminate employment within two years of its initial occurrence.

Your mental or physical incapacity following the occurrence of an event described above in clauses (a) through (e) shall not affect your ability to terminate employment for Good Reason, and your death following delivery of a notice of termination for Good Reason shall not affect your estate's entitlement to severance payments benefits provided hereunder upon a termination of employment for Good Reason.

"Misconduct" means, as it relates to an Anticipatory Termination or following a Change of Control, (a) your willful and continued failure to substantially perform your duties with PNC (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that you have not substantially performed your duties; or (b) your willful engagement in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries. For purposes of clauses (a) and (b), no act or failure to act, on your part, shall be considered willful unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of PNC. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or your superior or based upon the advice of counsel for PNC, will be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of PNC.

Your cessation of employment will be deemed to be a termination of your employment with PNC for Misconduct only if and when there shall have been delivered to you, as part of the notice of your termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, you are guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to you, together with written notice that PNC believes that you are guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) you are given an opportunity, together with counsel, to be heard before the Board.

"Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act.

"PNC Designated Person" means (a) the Committee or its delegate if you are (or were when you ceased to be an employee of PNC) either a Group 1 covered employee (Corporate Executive Group member) including any equivalent successor classification or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as PNC Designated Person for purposes of this Agreement.

"Qualifying Termination" has the meaning set forth in Section B of this Agreement.

"Restricted Territory" means (a) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in the United States or Canada as of the Termination Date, the United States and Canada, (b) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in the United Kingdom as of the Termination Date, the United Kingdom or (c) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in Germany as of the Termination Date, Germany or the United Kingdom.

"Retirement" means your termination of employment with PNC at any time for any reason (other than termination of employment by reason of your death, by PNC for Cause or by reason of termination of employment in connection with a divestiture of assets or a divestiture of one or more subsidiaries of PNC if the Committee or the CEO or his or her designee so determines prior to such divestiture) on or after the first date on which you have both attained at least age 55 and completed five years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

"Termination Date" means the last day of your employment with PNC. If you are employed by a Subsidiary that ceases to be a Subsidiary or ceases to be a consolidated subsidiary of the Corporation under U.S. generally accepted accounting principles and you do not continue to be employed by or otherwise have a Service Relationship with PNC, then for purposes of this Agreement, your employment with PNC terminates effective at the time this occurs.

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNITS AWARD AGREEMENT

APPENDIX C

RISK PERFORMANCE-BASED VESTING CONDITIONS

The following table sets forth the risk performance-based vesting conditions of the Award:

1.	*Generally*	The Award is divided into three Tranches, with the first Tranche relating to the 2020 performance year, the second Tranche relating to the 2021 performance year, and the third tranche relating to the 2022 performance year (each such year, a "Performance Year"). Each Tranche must satisfy a risk-related performance metric based on whether PNC has met or exceeded the common equity Tier 1 capital spot ratio limit as then in effect and applicable to The PNC Financial Services Group, Inc. ("CET1 Ratio") (which may be on a pro forma fully phased-in basis, if applicable) as set forth in PNC's Enterprise Capital Management Policy (or any successor policy) and monitored at least quarterly. "PNC" for purposes of this Appendix C as it refers to risk performance-based vesting conditions means the Corporation and its consolidated subsidiaries for financial reporting purposes.
2.	*Applying the Risk Performance Metric*	*(a) CET1 Ratio Generally*. Each Tranche is subject to a risk performance factor based on whether PNC has met or exceeded the CET1 Ratio as of the last day of each Performance Year. The current CET1 Ratio is 7.0%. *(b) Determination of Annual CET1 Ratio*. As soon as practicable following the end of each Performance Year, PNC will present information to the Committee relating to (i) the CET1 Ratio compared to (ii) the actual CET1 Ratio achieved by PNC with respect to that Performance Year, based on PNC's publicly reported financial results for the period ending on the applicable end date. Except as otherwise provided in paragraph 5 in the event of your death or a Change of Control, this will generally be the public release of earnings results for PNC's fourth quarter that occurs after the year-end measurement date, so that the Committee will be able to make its determination in late January or early February following a Performance Year. • If PNC meets or exceeds the CET1 Ratio for a Performance Year, the risk performance metric is satisfied. • If PNC does not meet the CET1 Ratio for a Performance Year, the applicable Tranche is eligible for forfeiture as determined by the Committee prior to settlement of the Tranche.
3.	*Risk Performance Review Adjustment*	In addition, and independent from the CET1 Ratio performance metric described in paragraph 2 above, with respect to each Tranche and prior to the settlement of that Tranche, the Committee has the discretion to conduct a risk performance review relating to a risk-related action of potentially material consequence to PNC. If the Committee exercises its discretion to conduct a risk performance review, the Committee will review and determine if a downward adjustment for risk performance is appropriate for the applicable Tranche. Any determination to conduct a risk performance review will be made shortly after the close of the Performance Year, but no later than the 45th day following the close of the Performance Year, and any required review will be conducted no later than two and a half-months after the close of the Performance Year.
4.	*Determination of Final Number of RSUs*	Following the Performance Year, the Committee determines whether to approve the number of RSUs subject to the applicable Tranche, a lower number or zero based on application of the risk performance metric (described in paragraph 2) or any risk-related adjustment resulting from a risk performance review (described in paragraph 3), rounded down to the nearest whole Unit. **In no event can the size of the Tranche be greater than 100.00% of the target number of RSUs subject to that Tranche.**
5.	*Determination of Risk Performance Metric Upon Death or a Change of Control*	

	Death	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC ceases by reason of your death, or if you die after a termination of employment with PNC due to Disability or Retirement or by reason of an Anticipatory Termination, in any case, prior to a Change of Control or the last Scheduled Vesting Date, then all risk performance-based conditions will be met with respect to the outstanding portion of your Award, *unless* the date of death occurs after a calendar year but prior to performance-adjustment by the Committee (including a Committee determination made immediately preceding the date of the Change of Control), in which case such Tranche will vest based on actual performance as determined by the Committee. For the avoidance of doubt, in the event of your death following a Change of Control, the risk performance metric for any then-outstanding Tranche will be determined as provided in the "Change of Control" paragraph below.
	Change of Control	Notwithstanding anything to the contrary in this Agreement and subject to your satisfaction of the service-based vesting requirements, any outstanding Tranches for which no performance factors have been determined at the time of a Change of Control will be risk performance-adjusted, as follows: • If a Change of Control occurs after a completed Performance Year, but prior to the Scheduled Vesting Date for that Tranche, the actual CET1 Ratio for that Performance Year will continue to apply to that Tranche, and • For any Performance Year not completed prior to a Change of Control, if the CET1 Ratio was not met as of the quarter-end date immediately preceding the Change of Control (or if the Change of Control falls on a quarter-end date, and such information is available and applicable for such date, the date of the Change of Control), then all remaining Tranches will be forfeited and expire as of the Change of Control. For the avoidance of doubt: • If the CET1 Ratio was not met as of the applicable quarter-end performance measurement date, the Award will be forfeited by you as of the Change of Control. • Tranches where the CET1 Ratio was met and that remain outstanding will be paid out, without further Dividend Equivalents or any interest, on the Scheduled Vesting Dates (or earlier, in the event of your death) upon your satisfaction of the service-based vesting requirements.
6.	*Committee Determination*	The Committee may make prospective adjustments to the Award. All determinations made by the Committee or otherwise by PNC hereunder shall be made in its sole discretion and shall be final, binding and conclusive for all purposes on all parties.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

ATTEST:

By:

ACCEPTED AND AGREED TO by GRANTEE

____

Grantee

PNC **Exhibit 10.41**

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN
***
RESTRICTED SHARE UNITS AWARD AGREEMENT

This Agreement sets forth the terms and conditions of your restricted share unit award made pursuant to The PNC Financial Services Group, Inc. 2016 Incentive Award Plan and any sub-plans thereto (this "Agreement").

Appendix A to this Agreement sets forth additional terms and conditions of the Award, including restrictive covenant provisions. Appendix B to this Agreement sets forth certain definitions applicable to this Agreement generally. Appendix C to this Agreement sets forth the risk performance-based vesting conditions applicable to the Award and certain related definitions. Capitalized terms not otherwise defined in the body of this Agreement have the meaning ascribed to such terms in the Plan or Appendices A, B or C.

The Corporation and the Grantee named below (referenced in this Agreement as "you" or "your") agree as follows:

Subject to your timely acceptance of this Agreement (as described in Section A below), the Corporation grants to you the Award set forth below, subject to the terms and conditions of the Plan and this Agreement.

A.		**GRANT AND ACCEPTANCE OF RSUs**
	GRANTEE	[Name]
	GRANT DATE	[Date]
	AWARD	[# Shares] Restricted share units ("RSUs"), each representing a right to receive one Share, and related Dividend Equivalents award, payable in cash.
	AWARD PROGRAM	Senior Leader Program
	AWARD ACCEPTANCE; AWARD EFFECTIVE DATE	You must accept this Award by delivering an executed unaltered copy of this Agreement to the Corporation within 30 days of your receipt of this Agreement. Upon such execution and delivery of this Agreement by both you and the Corporation, this Agreement is effective as of the Grant Date (the "Award Effective Date"). If you do not properly accept this Award, the Corporation may, in its sole discretion, cancel the Award at any time thereafter.

B.	**VESTING REQUIREMENTS**
B.1	***An Award becomes vested only upon satisfaction of both the service-based vesting requirements and the risk performance-based vesting requirements set forth below.***

SERVICE-BASED VESTING REQUIREMENTS

The Award is divided into three approximately equal portions that will satisfy the service-based vesting requirements ratably over three years (each portion, a "Tranche") on three "Scheduled Vesting Dates", as follows:

- the service-based vesting requirement for the first Tranche will be satisfied on the 1st anniversary of the Grant Date,
- the service-based vesting requirement for the second Tranche will be satisfied on the 2nd anniversary of the Grant Date, and
- the service-based vesting requirement for the third Tranche will be satisfied on the 3rd anniversary of the Grant Date;

in each case, provided you remain continuously employed by PNC through and including the applicable Scheduled Vesting Date (or such earlier date as prescribed by Section B.2 below).

RISK PERFORMANCE-BASED VESTING REQUIREMENTS

Provided the service-based vesting requirements have been met, each Tranche will vest on the applicable Scheduled Vesting Date upon satisfaction of the risk performance metric applicable to that Tranche, as set forth in Appendix C to this Agreement.

B.2 EFFECT OF TERMINATION OF EMPLOYMENT PRIOR TO SCHEDULED VESTING DATES ON VESTING REQUIREMENTS

RETIREMENT

Notwithstanding anything to the contrary in this Agreement, if your employment with PNC is terminated due to your Retirement, and not for Cause (as determined by a PNC Designated Person), then the service-based vesting requirements of the Award will be satisfied as of your Termination Date, but the Award will not vest and become payable until the Scheduled Vesting Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.

DISABILITY

Notwithstanding anything to the contrary in this Agreement, if your employment with PNC is terminated by PNC due to your Disability, and not for Cause (as determined by a PNC Designated Person), then the service-based vesting requirements of the Award will be satisfied as of your Termination Date, but the Award will not vest and become payable until the Scheduled Vesting Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.

	DEATH	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC ceases by reason of your death, or if you die after a termination of employment with PNC due to Disability or Retirement or by reason of an Anticipatory Termination, but prior to a Change of Control or any Scheduled Vesting Date(s), then the service-based requirements of the Award will be satisfied as of your date of death, and the risk performance-based vesting requirements will be satisfied as further described in Appendix C.
	ANTICIPATORY TERMINATION	Notwithstanding anything to the contrary in this Agreement, if your termination of employment with PNC is an Anticipatory Termination, then the service-based vesting requirements of the Award will be satisfied as of the Termination Date, but the Award will not vest and become payable until the Scheduled Vesting Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms of this Agreement.
	TERMINATION FOLLOWING A CHANGE OF CONTROL	Notwithstanding anything to the contrary in this Agreement, if you have been continuously employed by PNC, including any successor entity, through the date of a Change of Control, and your employment with PNC is terminated following such Change of Control but prior to a Scheduled Vesting Date(s), either (a) by PNC other than for Misconduct or (b) by you for Good Reason (a "Qualifying Termination"), then the service-based requirements of the Award will be satisfied as of your Termination Date, and the risk performance-based vesting requirements will be satisfied with respect to any outstanding Tranches as described in Appendix C. For the avoidance of doubt, upon the occurrence of a Change of Control, the Award will not become vested until the service-based vesting requirements are satisfied, either on the Scheduled Vesting Dates as set forth in Section B.1. or as a result of your Retirement, your termination of employment by reason of death, Disability or an Anticipatory Termination or the occurrence of a Qualifying Termination.
C.		**FORFEITURE**
C.1	**FORFEITURE UPON FAILURE TO MEET VESTING REQUIREMENTS**	Except as otherwise provided in Section B.2 above, if you cease to be an employee of PNC prior to an applicable Scheduled Vesting Date and the satisfaction of the risk performance-based vesting requirements, you will not have satisfied the vesting requirements and the outstanding portion of the Award will be automatically forfeited and cancelled as of your Termination Date.

C.2	**FORFEITURE IN CONNECTION WITH DETRIMENTAL CONDUCT**	At any time prior to a Scheduled Vesting Date, to the extent that PNC (acting through a PNC Designated Person) determines in its sole discretion (a) that you have engaged in Detrimental Conduct and (b) to forfeit and cancel all or a specified portion of the outstanding Award as a result of such determination, then such portion will be forfeited and cancelled effective as of the date of such determination. Upon such determination, neither you nor your successors, heirs, assigns or legal representatives will have any further rights or interest in the Award under this Agreement.
D.		**DIVIDEND EQUIVALENTS**
D.1	**GENERALLY**	As of the Award Effective Date, you will be entitled to earn accrued cash Dividend Equivalents on the final number of vested RSUs for each Tranche, in an amount equal to the cash dividends that would have been paid (without interest or reinvestment) between the Grant Date and the Scheduled Vesting Date for that Tranche (or such earlier date in the event of your death or a Change of Control), as though you were the record holder of such RSUs, and such RSUs had been issued and outstanding shares on the Grant Date through the Scheduled Vesting Date for that Tranche (or such earlier date in the event of your death or a Change of Control).
D.2	**ACCRUED DIVIDEND EQUIVALENT PAYMENTS**	(a) Generally. Accrued Dividend Equivalents will vest and be paid out in cash, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A, if and when the applicable Tranche vests and pays out (at which point such Dividend Equivalents will terminate). Dividend Equivalents are subject to the same vesting requirements and payout size adjustments as the Tranche to which they relate. If the RSUs to which such Dividend Equivalents relate are forfeited and cancelled, such related Dividend Equivalents will also be forfeited and cancelled without payment of any consideration by PNC. (b) Payment Upon a Change of Control. Accrual of Dividend Equivalents will cease as of the Change of Control. Upon a Change of Control, Dividend Equivalents accrued (without reinvestment or interest) between the Grant Date and the Change of Control will vest and be paid out in cash, less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A, if and when the applicable Tranche vests and pays out, as if you were the record holder of the number of Shares equal to the number of vested RSUs underlying such Tranche from the Grant Date through the date of the Change of Control.

E.	PAYMENT OF THE AWARD	
E.1	**PAYMENT TIMING**	Except as otherwise provided below, vested RSUs that remain outstanding will be settled as soon as practicable following (i) the applicable Scheduled Vesting Date (but no later than March 15th following the year the applicable Scheduled Vesting Date occurs), or (ii) your date of death, if your date of death is prior to the last Scheduled Vesting Date (but no later than December 31st of the year following the year of your death).
E.2	**FORM OF PAYMENT; AMOUNT**	(a) Payment Generally. Except as provided in subsection (b) below, vested RSUs will be settled at the time set forth in this Section E.1 by delivery to you of that number of whole Shares equal to the number of RSUs less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A. (b) Payment On or After a Change of Control. Upon vesting on or after a Change of Control, vested RSUs will be settled at the time set forth in Section E.1 by payment to you of cash in an amount equal to that number of whole Shares equal to the number of vested RSUs, multiplied by the then current Fair Market Value of a share of Common Stock on the date of the Change of Control (subject to any applicable adjustment pursuant to Section 2 of Appendix A), less the payment of any applicable withholding taxes pursuant to Section 6 of Appendix A. Related accrued Dividend Equivalent payments will be paid to you in cash as described in Section D.2(b). No interest will be paid with respect to any such payments made pursuant to this Section E.
F.	**RESTRICTIVE COVENANTS**	Upon your acceptance of this Award, you shall become subject to the restrictive covenant provisions set forth in Section 1 of Appendix A.

G. CLAWBACK

The Award, and any right to receive and retain any Shares (if applicable), cash or other value pursuant to the Award, is subject to rescission, cancellation or recoupment, in whole or in part, if and to the extent so provided under the Corporation's Incentive Compensation Adjustment and Clawback Policy, as in effect from time to time with respect to the Award, or any other applicable clawback, adjustment or similar policy in effect on or established after the Grant Date and to any clawback or recoupment that may be required by applicable law or regulation.

By accepting this Award, you agree that you are obligated to provide all assistance necessary to the Corporation to recover or recoup the Shares, cash or other value pursuant to the Award which are subject to recovery or recoupment pursuant to applicable law, government regulation, stock exchange listing requirement or PNC policy. Such assistance shall include completing any documentation necessary to recover or recoup the Shares, cash or other value pursuant to the Award from any accounts you maintain with PNC or any pending or future compensation.

A copy of the Incentive Compensation Adjustment and Clawback Policy is included in the materials distributed to you with this Agreement.

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNITS AWARD AGREEMENT

APPENDIX A

ADDITIONAL PROVISIONS

1. Restrictive Covenants. You and PNC acknowledge and agree that you have received adequate consideration with respect to enforcement of the provisions of this Section 1 by virtue of accepting this Award (regardless of whether the Award or any portion thereof is ultimately settled and paid to you); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent you from earning a living.

(a) Non-Solicitation; No-Hire. You agree to comply with the provisions of this Section 1(a) during the period of your employment with PNC and the 12-month period following your Termination Date, regardless of the reason for such termination of employment, as follows:

i. *Non-Solicitation*. You will not, directly or indirectly, either for your own benefit or purpose or for the benefit or purpose of any Person other than PNC, solicit, call on, do business with, or actively interfere with PNC's relationship with, or attempt to divert or entice away, any Person that you should reasonably know (A) is a customer of PNC for which PNC provides any services as of your Termination Date, or (B) was a customer of PNC for which PNC provided any services at any time during the 12 months preceding your Termination Date, or (C) was, as of your Termination Date, considering retention of PNC to provide any services.

ii. *No-Hire*. You will not, directly or indirectly, either for your own benefit or purpose or for the benefit or purpose of any Person other than PNC, employ or offer to employ, call on, or actively interfere with PNC's relationship with, or attempt to divert or entice away, any employee of PNC. You also will not assist any other Person in such activities.

Notwithstanding Section 1(a)(i) and Section 1(a)(ii) above, if your termination of employment with PNC is an Anticipatory Termination, then commencing immediately after your Termination Date, the provisions of Section 1(a)(i) and Section 1(a)(ii) will no longer apply and will be replaced with the following provision:

> "No-Hire. You agree that you will not, for a period of one year after your Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any affiliate of PNC."

(b) Confidentiality. During your employment with PNC and thereafter regardless of the reason for termination of such employment, you will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of PNC whether or not conceived of or prepared by you, other than (i) information generally known in PNC's industry or acquired from public sources, (ii) as required in the course of employment by PNC, (iii) as required by any court, supervisory authority, administrative agency or applicable law, or (iv) with the prior written consent of PNC. Nothing in this Agreement, including this Section 1(b), is intended to limit you from reporting possible violations of law or regulation to any governmental entity or any self-regulatory organization or making other disclosures that are protected under the whistleblower provisions of federal, state or local law or regulation. You further understand and agree that you are not required to contact or receive consent from PNC before engaging in such communications with any such authorities.

(c) Ownership of Inventions. You will promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by you during the term of your employment with PNC, whether alone or with others, and that are (i) related directly or indirectly to the business or activities of PNC or (ii) developed with the use of any time, material, facilities or other resources of PNC ("Developments"). You agree to assign and hereby do assign to PNC or its designee all of your right, title and interest, including copyrights and patent rights, in and to all Developments. You will perform all actions and execute all instruments that PNC or any subsidiary will deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 1(c) will be performed by you without further compensation and will continue beyond your Termination Date.

(d) Enforcement Provisions. You understand and agree to the following provisions regarding enforcement of Section 1 of this Agreement:

i. *Equitable Remedies*. A breach of the provisions of Sections 1(a) – 1(c) will cause PNC irreparable harm, and PNC will therefore be entitled to seek issuance of immediate, as well as permanent, injunctive relief restraining you, and each and every person and entity acting in concert or participating with you, from initiation and/or continuation of such breach.

ii. *Tolling Period*. If it becomes necessary or desirable for PNC to seek compliance with the provisions of Section 1(a) by legal proceedings, the period during which you will comply with said provisions will extend for a period of 12 months from the date PNC institutes legal proceedings for injunctive or other relief.

iii. *Reform*. If any of Sections 1(a) – 1(c) are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which the restriction applies, it is the intent of both parties that the court reduce and reform the restriction so as to apply the greatest limitations considered enforceable by the court.

iv. *Waiver of Jury Trial.* Each of you and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 1(a) – 1(c).

v. *Application of Defend Trade Secrets Act.* Regardless of any other provision in this Agreement, you may be entitled to immunity and protection from retaliation under the Defend Trade Secrets Act of 2016 for disclosing trade secrets under certain limited circumstances, as set forth in PNC's Defend Trade Secrets Act policy. The policy is available for viewing on PNC's intranet under the "PNC Ethics" page.

2. Capital Adjustments upon a Change of Control. Upon the occurrence of a Change of Control, (a) the number, class and kind of RSUs then outstanding under the Award will automatically be adjusted to reflect the same changes as are made to outstanding shares of Common Stock generally, (b) the value per share unit of any share-denominated award amount will be measured by reference to the per share value of the consideration payable to a holder of Common Stock in connection with such Corporate Transaction or Transactions if applicable, and (c) with respect to stock-payable RSUs only, if the effect of the Corporate Transaction or Transactions on a holder of Common Stock is to convert that shareholder's holdings into consideration that does not consist solely (other than as to a minimal amount) of shares of Common Stock, then the entire value of any payment to be made to you will be made solely in cash at the applicable time specified in this Agreement.

3. Fractional Shares. No fractional Shares will be delivered to you. If the outstanding vested RSUs being settled in Shares include a fractional interest, such fractional interest will be eliminated by rounding down to the nearest whole share unit.

4. No Rights as a Shareholder. You will have no rights as a shareholder of the Corporation by virtue of this Award unless and until Shares are issued and delivered in settlement of the Award pursuant to and in accordance with this Agreement.

5. Transfer Restrictions.

(a) The Award may not be sold, assigned, transferred, exchanged, pledged, or otherwise alienated or hypothecated.

(b) If you are deceased at the time any outstanding vested RSUs are settled and paid out in accordance with the terms of this Agreement, such delivery of Shares, cash payment or other payment (as applicable) shall be made to the executor or administrator of your estate or to your other legal representative or, as permitted under the election procedures of the Plan's third-party administrator, to your designated beneficiary, in each case, as determined in good faith by the Corporation. Any delivery of Shares, cash payment or other payment made in good faith by the Corporation to your executor, other legal representative or permissible designated beneficiary, or retained by the Corporation for taxes pursuant to Section 6 of this Appendix A, shall extinguish all right to payment hereunder.

6. Withholding Taxes.

(a) You shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes), penalties and interest that you incur in connection hereunder. The Corporation will, at the time any withholding tax obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by PNC in connection therewith from amounts then payable hereunder to you.

(b) If any such withholding is required prior to the time amounts are payable to you hereunder or if such amounts are not sufficient to satisfy such obligation in full, the withholding will be taken from other compensation then payable to you or as otherwise determined by

PNC.

(c) The Corporation will withhold cash from any amounts then payable to you hereunder that are settled in cash. Unless the Committee or PNC Designated Person determines otherwise, with respect to stock-payable RSUs only, the Corporation will retain whole Shares from any amounts then payable to you hereunder (or pursuant to any other RSUs previously awarded to you under the Plan) in the form of Shares. For purposes of this Section 6(c), Shares retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises (as such date is determined by the Corporation).

7. Employment. Neither the granting of the Award nor any payment with respect to such Award authorized hereunder nor any term or provision of this Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC to employ you for any period or in any way alter your status as an employee at will.

8. Miscellaneous.

(a) Subject to the Plan and Interpretations. In all respects the Award and this Agreement are subject to the terms and conditions of the Plan, which has been made available to you and is incorporated herein by reference. The terms of the Plan will not be considered an enlargement of any benefits under this Agreement. If the Plan and this Agreement conflict, the provisions of the Plan will govern. Interpretations of the Plan and this Agreement by the Committee are binding on you and PNC.

(b) Governing Law and Jurisdiction. This Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to this Agreement or claim of breach hereof will be brought exclusively in the Federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of this Agreement, you and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with this Agreement.

(c) Headings; Entire Agreement. Headings used in this Agreement are provided for reference and convenience only, are not considered part of this Agreement, and will not be employed in the construction of this Agreement. This Agreement, including any appendices or exhibits attached hereto, constitutes the entire agreement between you and PNC with respect to the subject matters addressed herein, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties concerning the subject matters hereof.

(d) Modification. Modifications or adjustments to the terms of this Agreement may be made by the Corporation as permitted in accordance with the Plan or as provided for in this Agreement. No other modification of the terms of this Agreement will be effective unless embodied in a separate, subsequent writing signed by you and by an authorized representative of the Corporation.

(e) No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of this Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

(f) Severability. The restrictions and obligations imposed by this Agreement are separate and severable, and it is the intent of both parties that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon you.

(g) Applicable Laws. Notwithstanding anything in this Agreement, PNC will not be required to comply with any term, covenant or condition of this Agreement if and to the extent prohibited by law, including but not limited to Federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC.

(h) Compliance with Section 409A of the Internal Revenue Code. It is the intention of the parties that the Award and this Agreement comply with the provisions of Section 409A of the Internal Revenue Code to the extent, if any, that such provisions are applicable. This Agreement will be administered in a manner consistent with this intent, including as set forth in Section 20 of the Plan. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), your right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNITS AWARD AGREEMENT
SENIOR LEADER PROGRAM (SECTION 16)

APPENDIX B

DEFINITIONS

Certain Definitions. Except as otherwise provided, the following definitions apply for purposes of this Agreement.

"Anticipatory Termination" means a termination of employment where PNC terminates your employment with PNC (other than for Misconduct or Disability) prior to the date on which a Change of Control occurs, and you reasonably demonstrated that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or in anticipation of a Change of Control.

"Award Effective Date" has the meaning set forth in Section A of this Agreement.

"Change of Control" means:

(a) Any Person becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (x) the then-outstanding shares of Common Stock (the "Outstanding PNC Common Stock") or (y) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"). The following acquisitions will not constitute a Change of Control for purposes of this definition: (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any company controlled by, controlling or under common control with the Corporation (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined below) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock if the Incumbent Board (as defined below) as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied). For purposes of this definition, any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the shareholders of the Corporation, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board will be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a "Business Combination"). A transaction otherwise meeting the definition of Business Combination will not be treated as a Change of Control if following completion of the transaction all or substantially all of the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of Common Stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

"Competitive Activity" means any participation in, employment by, ownership of any equity interest exceeding one percent in, or promotion or organization of, any Person other than PNC (1) engaged in business activities similar to some or all of the business activities of PNC during your employment or (2) engaged in business activities that you know PNC intends to enter within the next 12 months (or, if after your Termination Date, within the first 12 months after your Termination Date), in either case whether you are acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein. For purposes of Competitive Activity as defined herein (and as such similar term is defined in any equity-based award agreement held by you), the term "subsidiary" will not include any company in which PNC holds an interest pursuant to its merchant banking authority.

"Detrimental Conduct" means:

(a) You have engaged in, without the prior written consent of PNC (with consent to be given or withheld at PNC's sole discretion), in any Competitive Activity in the Restricted Territory at any time during the period of your employment with PNC and the 12-month period following your Termination Date;

(b) any act of fraud, misappropriation, or embezzlement by you against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) you are convicted (including a plea of guilty or of nolo contendere) of, or you enter into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of your employment or other service relationship with PNC.

You will be deemed to have engaged in Detrimental Conduct for purposes of this Agreement only if and when the Committee or other PNC Designated Person determines that you have engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to you. Detrimental Conduct will not apply to conduct by or activities of successors to the Award by will or the laws of descent and distribution in the event of your death.

No determination that you have engaged in Detrimental Conduct may be made (x) on or after your Termination Date if your termination of employment was an Anticipatory Termination or (y) between the time PNC enters into an agreement providing for a Change of Control and the time such agreement either terminates or results in a Change of Control.

"Good Reason" means the definition of Good Reason contained in the Change of Control Employment Agreement between you and PNC or any substitute employment agreement entered into between you and PNC then in effect or, if none, the occurrence of any of the following events without your consent:

(a) the assignment to of any duties to you inconsistent in any material respect with your position (including status, offices, titles and reporting requirements), or any other material diminution in such position, authority, duties or responsibilities;

(b) any material reduction in your rate of base salary or the amount of your annual bonus opportunity (or, if less, the bonus opportunity established for the PNC's similarly situated employees for any year), or a material reduction in the level of any other employee benefits for which you are eligible receive below those offered to the PNC's similarly situated employees;

(c) PNC's requiring you to be based at any office or location outside of a fifty (50)-mile radius from the office where you were employed on the Grant Date;

(d) any action or inaction that constitutes a material breach by the PNC of any agreement entered into between you and PNC; or

(e) the failure by PNC to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of PNC to assume expressly and agree to perform this Agreement in the same manner and to the same extent that PNC would be required to perform it if no such succession had taken place.

Notwithstanding the foregoing, none of the events described above shall constitute Good Reason unless and until (i) you first notify PNC in writing describing in reasonable detail the condition which constitutes Good Reason within 90 days of its initial occurrence, (ii) PNC fails to cure such condition within 30 days after receipt of such written notice, and (iii) you terminate employment within two years of its initial occurrence.

Your mental or physical incapacity following the occurrence of an event described above in clauses (a) through (e) shall not affect your ability to terminate employment for Good Reason, and your death following delivery of a notice of termination for Good Reason shall not affect your estate's entitlement to severance payments benefits provided hereunder upon a termination of employment for Good Reason.

"Misconduct" means, as it relates to an Anticipatory Termination or following a Change of Control, (a) your willful and continued failure to substantially perform your duties with PNC (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to you by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that you have not substantially performed your duties; or (b) your willful engagement in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries. For purposes of clauses (a) and (b), no act or failure to act, on your part, shall be considered willful unless it is done, or omitted to be done, by you in bad faith and without reasonable belief that your action or omission was in the best interests of PNC. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or your superior or based upon the advice of counsel for PNC, will be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of PNC.

Your cessation of employment will be deemed to be a termination of your employment with PNC for Misconduct only if and when there shall have been delivered to you, as part of the notice of your termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, you are guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to you, together with written notice that PNC believes that you are guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) you are given an opportunity, together with counsel, to be heard before the Board.

"Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act.

"PNC Designated Person" means (a) the Committee or its delegate if you are (or were when you ceased to be an employee of PNC) either a Group 1 covered employee (Corporate Executive Group member) including any equivalent successor classification or subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities (or both); or (b) the Committee, the CEO, or the Chief Human Resources Officer of PNC, or any other individual or group as may be designated by one of the foregoing to act as PNC Designated Person for purposes of this Agreement.

"Qualifying Termination" has the meaning set forth in Section B of this Agreement.

"Restricted Territory" means (a) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in the United States or Canada as of the Termination Date, the United States and Canada, (b) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in the United Kingdom as of the Termination Date, the United Kingdom or (c) if you are employed by (or, if you are not an employee, providing the majority of your services to) PNC in Germany as of the Termination

Date, Germany or the United Kingdom.

"Retirement" means your termination of employment with PNC at any time for any reason (other than termination of employment by reason of your death, by PNC for Cause or by reason of termination of employment in connection with a divestiture of assets or a divestiture of one or more subsidiaries of PNC if the Committee or the CEO or his or her designee so determines prior to such divestiture) on or after the first date on which you have both attained at least age 55 and completed five years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

"Termination Date" means the last day of your employment with PNC. If you are employed by a Subsidiary that ceases to be a Subsidiary or ceases to be a consolidated subsidiary of the Corporation under U.S. generally accepted accounting principles and you do not continue to be employed by or otherwise have a Service Relationship with PNC, then for purposes of this Agreement, your employment with PNC terminates effective at the time this occurs.

THE PNC FINANCIAL SERVICES GROUP, INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED SHARE UNITS AWARD AGREEMENT

APPENDIX C

RISK PERFORMANCE-BASED VESTING CONDITIONS
SENIOR LEADER PROGRAM (SECTION 16)

The following table sets forth the risk performance-based vesting conditions of the Award:

1.	*Generally*	The Award is divided into three Tranches, with the first Tranche relating to the 2020 performance year, the second Tranche relating to the 2021 performance year, and the third tranche relating to the 2022 performance year (each such year, a "Performance Year"). Each Tranche must satisfy a risk-related performance metric based on whether PNC has met or exceeded the common equity Tier 1 capital spot ratio limit as then in effect and applicable to The PNC Financial Services Group, Inc. ("CET1 Ratio") (which may be on a pro forma fully phased-in basis, if applicable) as set forth in PNC's Enterprise Capital Management Policy (or any successor policy) and monitored at least quarterly. Each Tranche of the Award will also be subject to an annual risk review based on business unit financial performance (or at the discretion of the Committee). "PNC" for purposes of this Appendix C as it refers to risk performance-based vesting conditions means the Corporation and its consolidated subsidiaries for financial reporting purposes.
2.	*Applying the Risk Performance Metric*	*(a) CET1 Ratio Generally*. Each Tranche is subject to a risk performance factor based on whether PNC has met or exceeded the CET1 Ratio as of the last day of each Performance Year. The current CET1 Ratio is 7.0%. *(b) Determination of Annual CET1 Ratio*. As soon as practicable following the end of each Performance Year, PNC will present information to the Committee relating to (i) the CET1 Ratio compared to (ii) the actual CET1 Ratio achieved by PNC with respect to that Performance Year, based on PNC's publicly reported financial results for the period ending on the applicable end date. Except as otherwise provided in paragraph 5 in the event of your death or a Change of Control, this will generally be the public release of earnings results for PNC's fourth quarter that occurs after the year-end measurement date, so that the Committee will be able to make its determination in late January or early February following a Performance Year. • If PNC meets or exceeds the CET1 Ratio for a Performance Year, the risk performance metric is satisfied. • If PNC does not meet the CET1 Ratio for a Performance Year, the applicable Tranche is eligible for forfeiture as determined by the Committee prior to settlement of the Tranche.

3.	*Risk Performance Review Adjustments*	In addition, and independent from the CET1 Ratio performance metric described in paragraph 2 above, with respect to each Tranche and prior to the settlement of that Tranche, the Committee conducts a risk performance review either (1) as a result of business unit financial performance (as described below) or (2) at the discretion of the Committee, relating to a risk-related action of potentially material consequence to PNC. A risk performance review is triggered under (1) above if (a) one of the specific business unit or enterprise level review triggers set forth below is met and (b) that review trigger is applicable to you because either it (i) applies to your business unit or functional area as of the Grant Date and the Committee has not determined in its discretion to apply a different review trigger to you for the Performance Year, or (ii) the Committee has determined in its discretion to apply such specific business unit or enterprise level review trigger to you for the Performance Year. The specific business unit or enterprise level review triggers are as follows: • PNC's Retail Banking segment reports a loss for the Performance Year • PNC's Corporate & Institutional Banking segment reports a loss for the Performance Year • PNC's Asset Management Group segment reports a loss for the Performance Year If you are not assigned to one of the above-named business units as of the Grant Date, the review trigger will be applicable to you only in the event the Committee determines in its discretion to apply such review trigger, as described in (ii) above. If your affiliated business unit or functional area as of the Grant Date is eliminated or no longer reportable due to restructuring or other business reason, the specific review trigger applicable to you will be based on your newly assigned business unit or functional area. For purposes of this Agreement, whether or not a specified business unit has a loss for a given Performance Year will be determined on the basis of the reported earnings or loss, as the case may be, of the reportable business segment that includes the results of such business unit, based on PNC's publicly reported financial results for that year. If a risk performance review is triggered as a result of business financial performance under (1) or if the Committee exercises its discretion to conduct a risk performance review under (2) above, the Committee will review and determine if a downward adjustment for risk performance is appropriate either for the applicable Tranche or to a specific Grantee. Any determination to conduct a risk performance review will be made shortly after the close of the Performance Year, but no later than the 45th day following the close of the Performance Year, and any required review will be conducted no later than two and a half-months after the close of the Performance Year.
4.	*Determination of Final Number of RSUs*	Following the Performance Year, if (1) the risk performance metric is satisfied and if no risk review is conducted with respect to that year, or (2) the Committee determines not to apply a downward adjustment for risk performance, then the final Award will be the number of RSUs subject to the applicable Tranche. If the risk performance metric is not satisfied, or if a review is conducted, and the Committee applies a downward adjustment for risk performance, than the final award will be a lower number of RSUs subject to the applicable Tranche (rounded down to the nearest whole Unit) or zero, as determined by the Committee. If the Committee elects to forfeit a Tranche as it relates to all members of PNC's Group 1 executives by reason of the CET1 Ratio risk performance metric not being satisfied, such Tranche will also be forfeited for all members of the Senior Leader program. **In no event can the size of the Tranche be greater than 100.00% of the target number of RSUs subject to that Tranche.**
5.	*Determination of Risk Performance Metric Upon Death or a Change of Control*	

	Death	Notwithstanding anything to the contrary in this Agreement, if your employment with PNC ceases by reason of your death, or if you die after a termination of employment with PNC due to Disability or Retirement or by reason of an Anticipatory Termination, in any case, prior to a Change of Control or the last Scheduled Vesting Date, then all risk performance-based conditions will be met with respect to the outstanding portion of your Award, *unless* the date of death occurs after a calendar year but prior to performance-adjustment by the Committee (including a Committee determination made immediately preceding the date of the Change of Control), in which case such Tranche will vest based on actual performance as determined by the Committee. For the avoidance of doubt, in the event of your death following a Change of Control, the risk performance metric for any then-outstanding Tranche will be determined as provided in the "Change of Control" paragraph below.
	Change of Control	Notwithstanding anything to the contrary in this Agreement and subject to your satisfaction of the service-based vesting requirements, any outstanding Tranches for which no performance factors have been determined at the time of a Change of Control will be risk performance-adjusted, as follows: • If a Change of Control occurs after a completed Performance Year, but prior to the Scheduled Vesting Date for that Tranche, the actual CET1 Ratio for that Performance Year will continue to apply to that Tranche, and • For any Performance Year not completed prior to a Change of Control, if the CET1 Ratio was not met as of the quarter-end date immediately preceding the Change of Control (or if the Change of Control falls on a quarter-end date, and such information is available and applicable for such date, the date of the Change of Control), then all remaining Tranches will be forfeited and expire as of the Change of Control. For the avoidance of doubt: • If the CET1 Ratio was not met as of the applicable quarter-end performance measurement date, the Award will be forfeited by you as of the Change of Control. • Tranches where the CET1 Ratio was met and that remain outstanding will be paid out, without further Dividend Equivalents or any interest, on the Scheduled Vesting Dates (or earlier, in the event of your death) upon your satisfaction of the service-based vesting requirements.
6.	*Committee Determination*	The Committee may make prospective adjustments to the Award. All determinations made by the Committee or otherwise by PNC hereunder shall be made in its sole discretion and shall be final, binding and conclusive for all purposes on all parties.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

ATTEST:

By:

ACCEPTED AND AGREED TO by GRANTEE

____

Grantee

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, 2020 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 4, 2020

/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, 2020 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 4, 2020

/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, 2020 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 4, 2020

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, 2020 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 4, 2020