**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, 2021**
**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 |

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 13(a) of the Exchange 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 16, 2021, there were 424,993,233 shares of the registrant's common stock ($5 par value) outstanding.

THE PNC FINANCIAL SERVICES GROUP, INC.
**Cross-Reference Index to Second Quarter 2021 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 2020 Annual Report on Form 10-K (2020 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 2020 Form 10-K; Item 1A Risk Factors included in our 2020 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 2020 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 2020 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included in this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a 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.*

*See page 102 for a glossary of certain terms and acronyms used in this Report.*

### *Table 1: Consolidated Financial Highlights*

| Dollars in millions, except per share data<br>Unaudited | Three months ended June 30 2021 | Three months ended June 30 2020 | Six months ended June 30 2021 | Six months ended June 30 2020 |
|---|---|---|---|---|
| **Financial Results (a)** | | | | |
| Revenue | | | | |
| Net interest income | $ 2,581 | $ 2,527 | $ 4,929 | $ 5,038 |
| Noninterest income | 2,086 | 1,549 | 3,958 | 3,374 |
| Total revenue | 4,667 | 4,076 | 8,887 | 8,412 |
| Provision for (recapture of) credit losses | 302 | 2,463 | (249) | 3,377 |
| Noninterest expense | 3,050 | 2,515 | 5,624 | 5,058 |
| Income (loss) from continuing operations before income taxes and noncontrolling interests | $ 1,315 | $ (902) | $ 3,512 | $ (23) |
| Income taxes (benefit) from continuing operations | 212 | (158) | 583 | (38) |
| Net income (loss) from continuing operations | $ 1,103 | $ (744) | $ 2,929 | $ 15 |
| Income from discontinued operations before taxes | | $ 5,596 | | $ 5,777 |
| Income taxes from discontinued operations | | 1,197 | | 1,222 |
| Net income from discontinued operations | | $ 4,399 | | $ 4,555 |
| Net income | $ 1,103 | $ 3,655 | $ 2,929 | $ 4,570 |
| Less: | | | | |
| Net income attributable to noncontrolling interests | 12 | 7 | 22 | 14 |
| Preferred stock dividends (b) | 48 | 55 | 105 | 118 |
| Preferred stock discount accretion and redemptions | 1 | 1 | 2 | 2 |
| Net income attributable to common shareholders | $ 1,042 | $ 3,592 | $ 2,800 | $ 4,436 |
| **Per Common Share** | | | | |
| Basic earnings (loss) from continuing operations | $ 2.43 | $ (1.90) | $ 6.54 | $ (0.29) |
| Basic earnings from discontinued operations | | 10.28 | | 10.60 |
| Total basic earnings | $ 2.43 | $ 8.40 | $ 6.54 | $ 10.33 |
| Diluted earnings (loss) from continuing operations | $ 2.43 | $ (1.90) | $ 6.53 | $ (0.29) |
| Diluted earnings from discontinued operations | | 10.28 | | 10.59 |
| Total diluted earnings | $ 2.43 | $ 8.40 | $ 6.53 | $ 10.32 |
| Cash dividends declared per common share | $ 1.25 | $ 1.15 | $ 2.40 | $ 2.30 |
| Effective tax rate from continuing operations (c) | 16.1 % | 17.5 % | 16.6 % | 165.2 % |
| **Performance Ratios** | | | | |
| Net interest margin (d) | 2.29 % | 2.52 % | 2.28 % | 2.67 % |
| Noninterest income to total revenue | 45 % | 38 % | 45 % | 40 % |
| Efficiency | 65 % | 62 % | 63 % | 60 % |
| Return on: | | | | |
| Average common shareholders' equity | 8.32 % | 30.11 % | 11.29 % | 19.15 % |
| Average assets | 0.88 % | 3.21 % | 1.21 % | 2.11 % |

(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. Beginning on August 1, dividends will be paid on the Series O on a quarterly basis (February 1, May 1, August 1 and November 1 of each year).
(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 2021 | December 31 2020 | June 30 2020 |
|---|---|---|---|
| **Balance Sheet Data** (dollars in millions, except per share data) | | | |
| Assets | $ 554,212 | $ 466,679 | $ 458,978 |
| Loans | $ 294,704 | $ 241,928 | $ 258,236 |
| Allowance for loan and lease losses | $ 5,730 | $ 5,361 | $ 5,928 |
| Interest-earning deposits with banks (b) | $ 72,447 | $ 85,173 | $ 50,233 |
| Investment securities | $ 126,543 | $ 88,799 | $ 98,493 |
| Loans held for sale | $ 2,227 | $ 1,597 | $ 1,443 |
| Equity investments | $ 7,521 | $ 6,052 | $ 4,943 |
| Mortgage servicing rights | $ 1,793 | $ 1,242 | $ 1,067 |
| Goodwill | $ 10,958 | $ 9,233 | $ 9,233 |
| Other assets | $ 35,025 | $ 30,999 | $ 34,920 |
| Noninterest-bearing deposits | $ 154,190 | $ 112,637 | $ 99,458 |
| Interest-bearing deposits | $ 298,693 | $ 252,708 | $ 246,539 |
| Total deposits | $ 452,883 | $ 365,345 | $ 345,997 |
| Borrowed funds | $ 34,813 | $ 37,195 | $ 47,026 |
| Allowance for unfunded lending related commitments | $ 645 | $ 584 | $ 662 |
| Total shareholders' equity | $ 54,627 | $ 54,010 | $ 52,923 |
| Common shareholders' equity | $ 51,107 | $ 50,493 | $ 48,928 |
| Accumulated other comprehensive income | $ 1,463 | $ 2,770 | $ 3,069 |
| Book value per common share | $ 120.25 | $ 119.11 | $ 115.26 |
| Period-end common shares outstanding (in millions) | 425 | 424 | 425 |
| Loans to deposits | 65 % | 66 % | 75 % |
| Common shareholders' equity to total assets | 9.2 % | 10.8 % | 10.7 % |
| **Client Assets** (in billions) | | | |
| Discretionary client assets under management | $ 183 | $ 170 | $ 151 |
| Nondiscretionary client assets under administration | 172 | 154 | 138 |
| Total client assets under administration | 355 | 324 | 289 |
| Brokerage account client assets | 88 | 59 | 53 |
| Total client assets | $ 443 | $ 383 | $ 342 |
| **Basel III Capital Ratios (c) (d)** | | | |
| Common equity Tier 1 | 10.1 % | 12.2 % | 11.3 % |
| Common equity Tier 1 fully implemented (e) | 9.9 % | 11.8 % | 10.9 % |
| Tier 1 risk-based | 11.1 % | 13.2 % | 12.4 % |
| Total capital risk-based (f) | 13.2 % | 15.6 % | 14.9 % |
| Leverage | 8.7 % | 9.5 % | 9.4 % |
| Supplementary leverage | 7.3 % | 9.9 % | 9.3 % |
| **Asset Quality** | | | |
| Nonperforming loans to total loans | 0.94 % | 0.94 % | 0.73 % |
| Nonperforming assets to total loans, OREO and foreclosed assets | 0.96 % | 0.97 % | 0.76 % |
| Nonperforming assets to total assets | 0.51 % | 0.50 % | 0.43 % |
| Net charge-offs to average loans (for the three months ended) (annualized) | 0.48 % | 0.37 % | 0.35 % |
| Allowance for loan and lease losses to total loans | 1.94 % | 2.22 % | 2.30 % |
| Allowance for credit losses to total loans (g) | 2.16 % | 2.46 % | 2.55 % |
| Allowance for loan and lease losses to nonperforming loans | 206 % | 235 % | 316 % |
| Accruing loans past due 90 days or more (in millions) | $ 527 | $ 509 | $ 456 |

(a) The Executive Summary and Consolidated Balance Sheet Review portions of this Financial Review provide information regarding items impacting the comparability of the periods presented.
(b) Amounts include balances held with the Federal Reserve Bank of $71.9 billion, $84.9 billion and $50.0 billion as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
(c) 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 2020 Form 10-K.
(d) Ratios are calculated to reflect PNC's election to adopt the CECL optional five-year transition provision, unless noted differently.
(e) The fully implemented CET1 ratio is calculated to reflect the full impact of CECL and excludes the benefits of the five-year transition provision.
(f) The 2021 and 2020 Basel III Total risk-based capital ratios include nonqualifying trust preferred capital securities of $20 million and $40 million, respectively, that are subject to a phase-out period that runs through 2021.
(g) 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 institutions in the U.S. We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located primarily in markets across the Mid-Atlantic, Midwest, Southeast and Southwest. 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 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, 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 2020 Form 10-K.

### Acquisition of BBVA USA Bancshares, Inc.

On June 1, 2021, we acquired BBVA USA Bancshares, Inc. (BBVA) for cash consideration of $11.5 billion. BBVA, a U.S. financial holding company conducting its business operations primarily through its U.S. banking subsidiary, BBVA USA, operates more than 600 branches in Texas, Alabama, Arizona, California, Florida, Colorado and New Mexico. Our results for the three and six months ended June 30, 2021 reflect BBVA's operations for the month of June 2021 and our June 30, 2021 balance sheet includes BBVA's balances, including $95.7 billion of total assets, $82.2 billion of deposits and $60.5 billion of loans.

Shortly after the acquisition, PNC merged BBVA into PNC, and PNC contributed all of the shares of BBVA USA to PNC Bancorp, Inc, a wholly-owned subsidiary of PNC. As a result, BBVA USA is now a subsidiary of PNC Bancorp, Inc. and an affiliate of PNC Bank. PNC expects to merge BBVA USA into PNC Bank in October 2021.

Throughout this Report, BBVA USA Bancshares, Inc. will be referred to as BBVA.

### Discontinued Operations

In the second quarter of 2020, we divested our entire 22.4% equity investment in BlackRock. Net proceeds from the sale were $14.2 billion with an after-tax gain on sale of $4.3 billion. BlackRock's historical results are reported as discontinued operations. For additional details on the divestiture of our equity investment in BlackRock, see Note 2 Acquisition and Divestiture Activity in the Notes to Consolidated Financial Statements in Item 1 of this Report.

### Income Statement Highlights

Net income from continuing operations of $1.1 billion, or $2.43 per diluted common share, for the second quarter of 2021 increased $1.8 billion compared to a net loss from continuing operations of $0.7 billion, or $1.90 loss per diluted common share, for the second quarter of 2020 primarily due to a lower provision for credit losses.
- For the three months ended June 30, 2021 compared to the same period in 2020:
    - Total revenue increased $591 million, or 14%, to $4.7 billion.
        - Net interest income of $2.6 billion, including $236 million from BBVA, increased $54 million, or 2%.

        - Net interest margin decreased 23 basis points to 2.29% reflecting higher average balances held with the Federal Reserve Bank.
    - Noninterest income increased $537 million, or 35%, to $2.1 billion, including $80 million from BBVA, primarily due to higher corporate and consumer services fee income as well as higher other noninterest income.
- Provision for credit losses was $302 million for the second quarter of 2021, as a provision recapture of $704 million, primarily driven by improvements in credit quality and macroeconomic factors, as well as balance reductions, was more than offset by an initial provision for credit losses of $1.0 billion related to the BBVA acquisition. Provision for credit losses was $2.5 billion for the second quarter of 2020.
- Noninterest expense increased $535 million, or 21%, to $3.1 billion, due to $179 million of BBVA operating expenses, $101 million of integration expenses, growth in business and marketing activity and additions to legal reserves during the second quarter of 2021.

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, 2021 and December 31, 2020. In comparison to December 31, 2020, changes in our balance sheet were primarily driven by the BBVA acquisition.

- Total assets increased $87.5 billion, or 19%, to $554.2 billion, including $95.7 billion from BBVA.
- Total loans increased $52.8 billion, or 22%, to $294.7 billion, including $60.5 billion from BBVA.
    - Total commercial loans increased $32.4 billion, or 19%, to $199.6 billion driven by BBVA loans of $38.5 billion, partially offset by PNC legacy PPP loan forgiveness and lower multifamily agency warehouse lending.
        - At June 30, 2021, PNC had $11.6 billion of PPP loans and included $2.1 billion from BBVA. PPP loans outstanding at December 31, 2020 were $12.0 billion.
    - Total consumer loans increased $20.3 billion, or 27%, to $95.1 billion driven by loans from BBVA of $22.0 billion and increased originations of PNC legacy residential mortgages, partially offset by declines in remaining PNC legacy portfolios as paydowns outpaced new originations.
- Investment securities increased $37.7 billion, or 43%, to $126.5 billion, resulting from $17.6 in securities from BBVA and increased purchase activity.
- Interest-earning deposits with banks, primarily with the Federal Reserve Bank, decreased $12.7 billion to $72.4 billion, primarily due to the payment of $11.5 billion in cash for the purchase of BBVA and increased securities purchases, partially offset by $12.0 billion from BBVA.
- Total deposits increased $87.5 billion, or 24%, to $452.9 billion, including $82.2 billion from BBVA, due to growth in commercial and consumer deposits.
- Borrowed funds decreased $2.4 billion, or 6%, to $34.8 billion, due to lower FHLB borrowings reflecting the use of liquidity from deposit growth, partially offset by $2.3 billion from BBVA.

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

**Credit Quality Highlights**

Second quarter 2021 credit quality performance included the acquisition of BBVA and the associated purchase accounting impacts.

- At June 30, 2021 compared to December 31, 2020:
    - Nonperforming assets of $2.8 billion, increased $481 million, or 21%, due to $880 million of nonperforming assets from BBVA, partially offset by lower PNC legacy nonperforming assets reflecting improved credit performance.
    - Overall loan delinquencies of $1.3 billion decreased $73 million, or 5%, driven by lower PNC legacy consumer and commercial delinquencies, partially offset by $291 million in delinquencies resulting from the BBVA acquisition.
    - The ACL related to loans increased to $6.4 billion, or 2.16% of total loans, at June 30, 2021 compared to $5.9 billion, or 2.46% of total loans, at December 31, 2020. The increase was attributable to the ACL associated with the BBVA portfolio, which was recognized through both a fair value purchase accounting mark of $1.2 billion and an initial provision for credit losses of $1.0 billion, partially offset by a provision recapture of $1.3 billion and net loan charge-offs of $0.5 billion.
- Net charge-offs were $306 million, or 0.48% of average loans on an annualized basis, in the second quarter of 2021. This included $248 million related to BBVA, which were largely the result of required purchase accounting treatment for the acquisition. Net charge-offs were $236 million, or 0.35%, for the same quarter of 2020.

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

**Capital Highlights**

We maintained our strong capital and liquidity positions.

- Our CET1 ratio decreased to 10.1% at June 30, 2021 from 12.2% at December 31, 2020, primarily due to the BBVA acquisition.
  - Capital was impacted by our election of a five-year transition period for CECL's estimated impact on CET1 capital. CECL's estimated impact on CET1 capital is defined as the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date, excluding the initial allowance for PCD loans from BBVA, 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 to $51.1 billion at June 30, 2021, compared to $50.5 billion at December 31, 2020.
- In the second quarter, we returned capital to shareholders through dividends on common shares of $0.5 billion and refrained from repurchasing shares through the second quarter of 2021 due to the BBVA transaction.
- During the second quarter, PNC announced the reinstatement of share repurchase programs with repurchases of up to $2.9 billion for the four-quarter period beginning in the third quarter of 2021.
- On July 1, 2021, the PNC Board of Directors raised the quarterly cash dividend on common stock to $1.25 per share, an increase of 10 cents per share, or 9%, effective with the August 5, 2021 dividend payment.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for more detail on our 2021 liquidity and capital actions as well as our capital ratios.

PNC's ability to take certain capital actions, including returning capital to shareholders, 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 CCAR process. 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 and Item 1A Risk Factors of our 2020 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 follows:

- The U.S. economy is in an economic recovery, following a very severe but very short economic contraction in the first half of 2020 due to the COVID-19 pandemic and public health measures to contain it.
- With passage of the American Rescue Plan Act of 2021 and continued vaccine distribution, economic growth has picked up in 2021 and will remain very strong through the rest of this year and into 2022. Real GDP returned to its pre-pandemic level in the second quarter of 2021. Employment in June 2021 was still down by 6.8 million from before the pandemic; PNC expects employment to return to its pre-pandemic level in the spring of 2022.
- Compared to the spring of 2020 (when prices were falling), inflation has accelerated in mid-2021 due to strong demand in specific segments and supply chain disruptions. Inflation will slow in the second half of 2021.
- PNC expects the FOMC to keep the fed funds rate in its current range of 0.00% to 0.25% until mid-2023.

For the third quarter of 2021, compared to the second quarter of 2021 where appropriate, we expect:

- Period-end loans to be up modestly,
- Net interest income to be up in the mid-teens, on a percentage basis,
- Fee income to be up mid-single digits, on a percentage basis,
- Other noninterest income to be between $325 million and $375 million,
- Noninterest expense excluding integration expense to be up high-single digits, on a percentage basis, and
- Net loan charge-offs to be between $150 million and $200 million.

For the full year 2021, compared to full year 2020 except as noted, we expect:

- Period-end loans to be up modestly from June 30, 2021,
- Revenue to be up approximately 12% to 14%,
- Noninterest expense excluding integration expense to be up approximately 13% to 15%, and
- The effective tax rate to be 17%.

Additionally, we are on track to realize $900 million in net expense savings of BBVA's expense base in 2022. We also expect to incur nonrecurring merger and integration costs of approximately $980 million; the majority of which we expect to recognize in 2021.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our 2020 Form 10-K for other factors that could cause future events to differ, perhaps materially, from those anticipated in these forward-looking statements.

## Consolidated Income Statement Review

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

Net income from continuing operations of $1.1 billion, or $2.43 per diluted common share for the second quarter of 2021, increased $1.8 billion compared to a net loss from continuing operations of $0.7 billion, or $1.90 loss per diluted common share, for the second quarter of 2020. For the first six months of 2021, net income from continuing operations was $2.9 billion, or $6.54 per diluted common share, compared to $15 million, or $0.29 loss per diluted common share, for the first six months of 2020. In both comparisons the increase was primarily due to a lower provision for credit losses in 2021 due to improvements in credit quality and macroeconomic factors.

### Net Interest Income

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

| Three months ended June 30<br>Dollars in millions | 2021<br>Average Balances | 2021<br>Average Yields/ Rates | 2021<br>Interest Income/ Expense | 2020<br>Average Balances | 2020<br>Average Yields/ Rates | 2020<br>Interest Income/ Expense |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Interest-earning assets | | | | | | |
| Investment securities | $ 108,503 | 1.75 % | $ 475 | $ 88,430 | 2.41 % | $ 533 |
| Loans | 255,607 | 3.38 % | 2,169 | 268,114 | 3.37 % | 2,270 |
| Interest-earning deposits with banks | 78,522 | 0.11 % | 22 | 34,600 | 0.10 % | 9 |
| Other | 8,079 | 2.46 % | 50 | 10,867 | 2.26 % | 62 |
| Total interest-earning assets/interest income | $ 450,711 | 2.40 % | 2,716 | $ 402,011 | 2.85 % | 2,874 |
| **Liabilities** | | | | | | |
| Interest-bearing liabilities | | | | | | |
| Interest-bearing deposits | $ 269,436 | 0.05 % | 30 | $ 241,445 | 0.23 % | 141 |
| Borrowed funds | 34,149 | 1.04 % | 90 | 53,229 | 1.39 % | 187 |
| Total interest-bearing liabilities/interest expense | $ 303,585 | 0.16 % | 120 | $ 294,674 | 0.44 % | 328 |
| Net interest margin/income (Non-GAAP) | | 2.29 % | 2,596 | | 2.52 % | 2,546 |
| Taxable-equivalent adjustments | | | (15) | | | (19) |
| Net interest income (GAAP) | | | $ 2,581 | | | $ 2,527 |

| Six months ended June 30<br>Dollars in millions | 2021<br>Average Balances | 2021<br>Average Yields/ Rates | 2021<br>Interest Income/ Expense | 2020<br>Average Balances | 2020<br>Average Yields/ Rates | 2020<br>Interest Income/ Expense |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Interest-earning assets | | | | | | |
| Investment securities | $ 97,511 | 1.85 % | $ 901 | $ 86,426 | 2.59 % | $ 1,121 |
| Loans | 246,919 | 3.38 % | 4,175 | 255,843 | 3.71 % | 4,766 |
| Interest-earning deposits with banks | 81,947 | 0.10 % | 43 | 26,085 | 0.50 % | 65 |
| Other | 7,955 | 2.40 % | 95 | 10,167 | 2.84 % | 144 |
| Total interest-earning assets/interest income | $ 434,332 | 2.40 % | 5,214 | $ 378,521 | 3.21 % | 6,096 |
| **Liabilities** | | | | | | |
| Interest-bearing liabilities | | | | | | |
| Interest-bearing deposits | $ 260,804 | 0.05 % | 70 | $ 228,390 | 0.45 % | 516 |
| Borrowed funds | 34,670 | 1.06 % | 185 | 55,209 | 1.80 % | 501 |
| Total interest-bearing liabilities/interest expense | $ 295,474 | 0.17 % | 255 | $ 283,599 | 0.71 % | 1,017 |
| Net interest margin/income (Non-GAAP) | | 2.28 % | 4,959 | | 2.67 % | 5,079 |
| Taxable-equivalent adjustments | | | (30) | | | (41) |
| Net interest income (GAAP) | | | $ 4,929 | | | $ 5,038 |

(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 $54 million, or 2%, for the second quarter of 2021, and decreased $109 million, or 2%, for the first six months of 2021 compared to the same periods in 2020. In the quarterly comparison, the increase was due to interest earning assets from the BBVA acquisition and lower rates on deposits, partially offset by lower PNC legacy loans outstanding and securities yields. In the year-to-date comparison, the decrease was due to lower PNC legacy loans outstanding and lower securities yields, partially offset by lower deposit rates and interest earning assets from BBVA.

Net interest margin in the quarterly and year-to-date comparisons decreased 23 basis points and 39 basis points, respectively. The decrease in both comparisons reflected higher balances held with the Federal Reserve Bank and lower yields on securities, partially offset by the impact of BBVA's interest earning assets.

Average investment securities increased $20.1 billion, or 23%, and $11.1 billion, or 13%, in the quarterly and year-to-date comparisons, respectively. Both comparisons increased primarily due to higher U.S. Treasury and government securities, resulting from increased purchase activity and the acquisition of BBVA. Average investment securities represented 24% of average interest-earning assets for the second quarter of 2021 and 22% for the first six months of 2021, compared to 22% and 23% for the same periods in 2020.

Average loans decreased $12.5 billion, or 5%, and $8.9 billion, or 3% in the quarterly and year-to-date comparisons, respectively. In the quarterly comparison, the decrease was due to lower utilization of loan commitments by commercial customers. In the year-to-date comparison, the decrease was due to lower commercial and consumer loans. The decrease in both comparisons was partially offset by loans from the BBVA acquisition. Average loans represented 57% of average interest-earning assets for the three and six months ended June 30, 2021, compared to 67% and 68% for the same periods in 2020.

Average interest-earning deposits with banks increased $43.9 billion and $55.9 billion in the respective quarterly and year-to-date comparisons, as average balances held with the Federal Reserve Bank increased due to higher deposits.

Average interest-bearing deposits grew $28.0 billion, or 12%, and $32.4 billion, or 14% in the respective quarterly and year-to-date comparisons due to overall growth in commercial and consumer liquidity, including deposits from BBVA. In total, average interest-bearing deposits increased to 89% and 88% of average interest-bearing liabilities for the three and six months ended June 30, 2021, compared to 82% and 81% for the same periods in 2020.

Average borrowed funds decreased $19.1 billion, or 36%, compared with the second quarter of 2020 and $20.5 billion, or 37%, compared with the first six months of 2020 primarily due to a decline in FHLB borrowings reflecting the use of liquidity from deposit growth.

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 | 2021 | 2020 | $ | % | 2021 | 2020 | $ | % |
| Noninterest income | | | | | | | | |
| Asset management | $ 239 | $ 199 | $ 40 | 20 % | $ 465 | $ 400 | $ 65 | 16 % |
| Consumer services | 457 | 330 | 127 | 38 % | 841 | 707 | 134 | 19 % |
| Corporate services | 688 | 512 | 176 | 34 % | 1,243 | 1,038 | 205 | 20 % |
| Residential mortgage | 103 | 158 | (55) | (35)% | 208 | 368 | (160) | (43)% |
| Service charges on deposits | 131 | 79 | 52 | 66 % | 250 | 247 | 3 | 1 % |
| Other | 468 | 271 | 197 | 73 % | 951 | 614 | 337 | 55 % |
| Total noninterest income | $ 2,086 | $ 1,549 | $ 537 | 35 % | $ 3,958 | $ 3,374 | $ 584 | 17 % |

Noninterest income as a percentage of total revenue was 45% for both the second quarter and first six months of 2021, compared to 38% and 40% for the same periods in 2020.

Asset management revenue increased in the quarterly and year-to-date comparisons due to the impact of higher average equity markets. PNC's discretionary client assets under management increased to $183 billion at June 30, 2021 from $151 billion at June 30, 2020, primarily driven by higher spot equity markets.

Consumer services revenue increased in the quarterly and year-to-date comparisons reflecting the impacts of higher consumer spending on debit card, merchant services, and credit card fees and higher average equity markets on brokerage fees.

Corporate services revenue increased in the quarterly and year-to-date comparisons primarily due to higher merger and acquisition advisory fees, treasury management product revenue, revenue from commercial mortgage servicing activities and loan commitment fees.

Residential mortgage revenue decreased in the quarterly comparison primarily due to lower servicing fee revenue and decreased in the year-to-date comparison due to both lower mortgage servicing rights valuation, net of economic hedge and lower servicing fee revenue. Servicing fee revenue in both comparisons declined due to higher MSR amortization.

Service charges on deposits increased in the quarterly and year-to-date comparisons primarily due to higher transaction volumes and fewer pandemic related fee waivers.

Other noninterest income increased in the quarterly and year-to-date comparisons primarily due to higher private equity revenue.

## Noninterest Expense

***Table 4: Noninterest Expense***

| | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Change | | | | Change | |
| Dollars in millions | 2021 | 2020 | $ | % | 2021 | 2020 | $ | % |
| Noninterest expense | | | | | | | | |
| Personnel | $ 1,640 | $ 1,373 | $ 267 | 19 % | $ 3,117 | $ 2,742 | $ 375 | 14 % |
| Occupancy | 217 | 199 | 18 | 9 % | 432 | 406 | 26 | 6 % |
| Equipment | 326 | 301 | 25 | 8 % | 619 | 588 | 31 | 5 % |
| Marketing | 74 | 47 | 27 | 57 % | 119 | 105 | 14 | 13 % |
| Other | 793 | 595 | 198 | 33 % | 1,337 | 1,217 | 120 | 10 % |
| Total noninterest expense | $ 3,050 | $ 2,515 | $ 535 | 21 % | $ 5,624 | $ 5,058 | $ 566 | 11 % |

The increase in noninterest expense in the quarterly and year-to-date comparisons reflected BBVA operating and integration expenses, growth in business and marketing activity and additions to legal reserves during the second quarter of 2021.

## Effective Income Tax Rate

The effective income tax rate from continuing operations was 16.1% in the second quarter of 2021 compared to 17.5% in the second quarter of 2020, and 16.6% in the first six months of 2021 compared to 165.2% in the same period in 2020.

## Provision For (Recapture of) Credit Losses

***Table 5: Provision for (Recapture of) Credit Losses***

| | Three months ended June 30 | | | Six months ended June 30 | | |
|---|---|---|---|---|---|---|
| | | | Change | | | Change |
| Dollars in millions | 2021 | 2020 | $ | 2021 | 2020 | $ |
| Provision for (recapture of) credit losses | | | | | | |
| Loans and leases | $ 206 | $ 2,220 | $ (2,014) | $ (296) | $ 3,172 | $ (3,468) |
| Unfunded lending related commitments | 92 | 212 | (120) | 15 | 165 | (150) |
| Investment securities | | 30 | (30) | 26 | 30 | (4) |
| Other financial assets | 4 | 1 | 3 | 6 | 10 | (4) |
| Total provision for (recapture of) credit losses | $ 302 | $ 2,463 | $ (2,161) | $ (249) | $ 3,377 | $ (3,626) |

The provision for credit losses for the second quarter of 2021 included a $1.0 billion initial provision for the BBVA acquisition, partially offset by a provision recapture of $704 million.

## Net Income from Discontinued Operations

For additional details on the divestiture of our equity investment in BlackRock, see Note 2 Acquisition and Divestiture Activity in the Notes To Consolidated Financial Statements of this Report.

## CONSOLIDATED BALANCE SHEET REVIEW

The summarized balance sheet data in Table 6 is based upon our Consolidated Balance Sheet in Part I, Item 1 of this Report.

***Table 6: Summarized Balance Sheet Data***

| Dollars in millions | June 30 2021 | December 31 2020 | Change $ | Change % |
|---|---|---|---|---|
| Assets | | | | |
| Interest-earning deposits with banks | $ 72,447 | $ 85,173 | $ (12,726) | (15)% |
| Loans held for sale | 2,227 | 1,597 | 630 | 39 % |
| Investment securities | 126,543 | 88,799 | 37,744 | 43 % |
| Loans | 294,704 | 241,928 | 52,776 | 22 % |
| Allowance for loan and lease losses | (5,730) | (5,361) | (369) | (7)% |
| Mortgage servicing rights | 1,793 | 1,242 | 551 | 44 % |
| Goodwill | 10,958 | 9,233 | 1,725 | 19 % |
| Other | 51,270 | 44,068 | 7,202 | 16 % |
| Total assets | $ 554,212 | $ 466,679 | $ 87,533 | 19 % |
| Liabilities | | | | |
| Deposits | $ 452,883 | $ 365,345 | $ 87,538 | 24 % |
| Borrowed funds | 34,813 | 37,195 | (2,382) | (6)% |
| Allowance for unfunded lending related commitments | 645 | 584 | 61 | 10 % |
| Other | 11,186 | 9,514 | 1,672 | 18 % |
| Total liabilities | 499,527 | 412,638 | 86,889 | 21 % |
| Equity | | | | |
| Total shareholders' equity | 54,627 | 54,010 | 617 | 1 % |
| Noncontrolling interests | 58 | 31 | 27 | 87 % |
| Total equity | 54,685 | 54,041 | 644 | 1 % |
| Total liabilities and equity | $ 554,212 | $ 466,679 | $ 87,533 | 19 % |

Our balance sheet was strong and well positioned at June 30, 2021 and December 31, 2020.

- Total asset growth reflected the addition of loans and investment securities from the BBVA acquisition, partially offset by a decrease in interest-earning deposits with banks.
- Total liabilities increased primarily due to deposit growth reflecting higher commercial and consumer deposits driven by the acquisition of BBVA, partially offset by lower borrowed funds.
- Total equity increased primarily due to second quarter net income, partially offset by lower AOCI and dividends paid on common and preferred stock.

The ACL related to loans totaled $6.4 billion at June 30, 2021, an increase of $0.4 billion since December 31, 2020. The increase was attributable to the ACL associated with the BBVA portfolio, which was recognized through both a fair value purchase accounting mark of $1.2 billion and an initial provision for credit losses of $1.0 billion, partially offset by a provision recapture of $1.3 billion and net loan charge-offs of $0.5 billion. See the following for additional information regarding our ACL related to loans:

- Allowance for Credit Losses in the Credit Risk Management section of this Financial Review,
- Critical Accounting Estimates and Judgments section of this Financial Review, 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 20 Regulatory Matters in the Notes To Consolidated Financial Statements included in our 2020 Form 10-K.

## Loans

***Table 7: Loans***

| Dollars in millions | June 30 2021 | December 31 2020 | Change $ | Change % |
|---|---|---|---|---|
| Commercial | | | | |
| Commercial and industrial | $ 155,300 | $ 132,073 | $ 23,227 | 18 % |
| Commercial real estate | 37,964 | 28,716 | 9,248 | 32 % |
| Equipment lease financing | 6,376 | 6,414 | (38) | (1)% |
| Total commercial | 199,640 | 167,203 | 32,437 | 19 % |
| Consumer | | | | |
| Residential real estate | 36,846 | 22,560 | 14,286 | 63 % |
| Home Equity | 25,174 | 24,088 | 1,086 | 5 % |
| Automobile | 17,551 | 14,218 | 3,333 | 23 % |
| Credit card | 6,528 | 6,215 | 313 | 5 % |
| Education | 2,726 | 2,946 | (220) | (7)% |
| Other consumer | 6,239 | 4,698 | 1,541 | 33 % |
| Total consumer | 95,064 | 74,725 | 20,339 | 27 % |
| Total loans | $ 294,704 | $ 241,928 | $ 52,776 | 22 % |

Commercial loans increased driven by $38.5 billion of BBVA loans, partially offset by PNC legacy PPP loan forgiveness and lower multifamily agency warehouse lending. At June 30, 2021, PNC had $11.6 billion of PPP loans outstanding which included $2.1 billion from BBVA. PPP loans outstanding at December 31, 2020 were $12.0 billion.

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 increased primarily due to $22.0 billion of loans from BBVA and increased originations of PNC legacy residential mortgages, partially offset by declines in the remaining PNC legacy portfolios as paydowns outpaced new originations.

For information on our residential real estate and home equity 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 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report.

## Investment Securities

Investment securities of $126.5 billion at June 30, 2021, increased $37.7 billion, or 43%, compared to December 31, 2020, resulting from the $17.6 billion related to the BBVA acquisition and increased purchase activity.

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 LCR and other internal and external guidelines and constraints.

***Table 8: Investment Securities***

| | June 30, 2021 | | December 31, 2020 | | Ratings as of June 30, 2021 (a) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dollars in millions | Amortized Cost (b) | Fair Value | Amortized Cost (b) | Fair Value | AAA/ AA | A | BBB | BB and Lower | No Rating |
| U.S. Treasury and government agencies | $ 39,368 | $ 39,902 | $ 20,616 | $ 21,631 | 100 % | | | | |
| Agency residential mortgage-backed | 66,393 | 67,314 | 47,355 | 48,911 | 100 % | | | | |
| Non-agency residential mortgage-backed | 1,081 | 1,323 | 1,272 | 1,501 | 9 % | | 2 % | 49 % | 40 % |
| Agency commercial mortgage-backed | 2,263 | 2,331 | 2,571 | 2,688 | 100 % | | | | |
| Non-agency commercial mortgage-backed (c) | 4,033 | 4,079 | 3,678 | 3,689 | 86 % | 1 % | 1 % | 4 % | 8 % |
| Asset-backed (d) | 5,625 | 5,697 | 5,060 | 5,150 | 94 % | 1 % | | 5 % | |
| Other (e) | 5,741 | 6,010 | 5,061 | 5,393 | 57 % | 24 % | 14 % | | 5 % |
| Total investment securities (f) | $ 124,504 | $ 126,656 | $ 85,613 | $ 88,963 | 96 % | 1 % | 1 % | 1 % | 1 % |

(a) Ratings percentages allocated based on amortized cost, net of allowance for investment securities.
(b) Amortized cost is presented net of applicable allowance for investment securities of $108 million and $82 million at June 30, 2021 and December 31, 2020, in accordance with the adoption of the CECL accounting standard.
(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 8 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 investment 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 3 Investment Securities in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional details regarding the amount of the allowance for investment securities.

The duration of investment securities was 4 years at June 30, 2021. We estimate that at June 30, 2021 the effective duration of investment securities was 4.1 years for an immediate 50 basis points parallel increase in interest rates and 3.8 years for an immediate 50 basis points parallel decrease in interest rates.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio was 4.4 years at June 30, 2021 compared to 3.4 years at December 31, 2020.

***Table 9: Weighted-Average Expected Maturities of Mortgage and Asset-Backed Debt Securities***

| June 30, 2021 | Years |
|---|---|
| Agency residential mortgage-backed | 4.4 |
| Non-agency residential mortgage-backed | 6.6 |
| Agency commercial mortgage-backed | 4.1 |
| Non-agency commercial mortgage-backed | 2.2 |
| Asset-backed | 2.8 |

Additional information regarding our investment securities is included in Note 3 Investment Securities and Note 11 Fair Value in the Notes To Consolidated Financial Statements included in Item 1 of this Report.

**Funding Sources**

***Table 10: Details of Funding Sources***

| Dollars in millions | June 30 2021 | December 31 2020 | Change $ | Change % |
|---|---|---|---|---|
| Deposits | | | | |
| Noninterest-bearing | $ 154,190 | $ 112,637 | $ 41,553 | 37 % |
| Interest-bearing | | | | |
| Money market | 83,215 | 59,737 | 23,478 | 39 % |
| Demand | 106,415 | 92,294 | 14,121 | 15 % |
| Savings | 88,972 | 80,985 | 7,987 | 10 % |
| Time deposits | 20,091 | 19,692 | 399 | 2 % |
| Total interest-bearing deposits | 298,693 | 252,708 | 45,985 | 18 % |
| Total deposits | 452,883 | 365,345 | 87,538 | 24 % |
| Borrowed funds | | | | |
| Federal Home Loan Bank borrowings | | 3,500 | (3,500) | (100)% |
| Bank notes and senior debt | 24,408 | 24,271 | 137 | 1 % |
| Subordinated debt | 7,120 | 6,403 | 717 | 11 % |
| Other | 3,285 | 3,021 | 264 | 9 % |
| Total borrowed funds | 34,813 | 37,195 | (2,382) | (6)% |
| Total funding sources | $ 487,696 | $ 402,540 | $ 85,156 | 21 % |

Total deposits increased reflecting growth in commercial and consumer deposits primarily due to the BBVA acquisition.

Borrowed funds decreased due to lower FHLB borrowings reflecting the use of liquidity from deposit growth, which more than offset borrowed funds from BBVA.

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 2021 liquidity and capital activities. See Note 10 Borrowed Funds in the Notes to Consolidated Financial Statements in Item 8 of our 2020 Form 10-K for additional information related to our borrowings.

**Shareholders' Equity**

Total shareholders' equity was $54.6 billion at June 30, 2021, an increase of $0.6 billion compared to December 31, 2020. The increase resulted from net income of $2.9 billion, partially offset by lower AOCI of $1.3 billion reflecting the impact of higher rates on net unrealized securities gains and common and preferred stock dividends of $1.0 billion.

## 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 14 Segment Reporting in the Notes To Consolidated Financial Statements included in Item 1 of this Report. Certain amounts included in this Business Segments Review differ from those amounts shown in Note 14, primarily due to the presentation in this Financial Review of business net interest income on a taxable-equivalent basis.

Our business segment results for the first six months of 2021 reflect BBVA's business operations for the month of June 2021 and our balance sheet at June 30, 2021 includes BBVA's balances. Until conversion of bank systems and branches, PNC Bank and BBVA customers will continue to be served through their respective PNC Bank and BBVA USA branches, websites and mobile apps, financial advisors and relationship managers. Upon conversion, which is expected to occur in October 2021, there will be changes in the segmentation of BBVA USA customers as we integrate data to PNC applications, finalize the review of customer relationships and better align customers with PNC's products and services. See Note 2 Acquisition and Divestiture Activity in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional information on the acquisition of BBVA.

During the second quarter of 2020, we divested our entire 22.4% investment in BlackRock, which had previously been reported as a separate business segment. See Note 2 Acquisition and Divestiture Activity in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional information.

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 83 in Note 14 Segment Reporting in the Notes To Consolidated Financial Statements included 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).

## Retail Banking

Retail Banking's core strategy is to help all of our consumer and small business customers move financially forward. We aim to grow our primary checking and transaction relationships through strong acquisition and retention. 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, leveraging technology to make banking easier for our customers. 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 are focused on consistently engaging both our employees and customers, which is a strong driver of customer growth, retention and relationship expansion.

***Table 11: Retail Banking Table***

| (Unaudited)<br>Six months ended June 30<br>Dollars in millions, except as noted | 2021 | 2020 | Change $ | Change % |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net interest income | $ 2,859 | $ 2,846 | $ 13 | * |
| Noninterest income | 1,360 | 1,373 | (13) | (1)% |
| Total revenue | 4,219 | 4,219 | | |
| Provision for (recapture of) credit losses | (43) | 1,206 | (1,249) | (104)% |
| Noninterest expense | 3,153 | 3,025 | 128 | 4 % |
| Pretax earnings | 1,109 | (12) | 1,121 | * |
| Income taxes (benefit) | 256 | (1) | 257 | * |
| Noncontrolling interest | 14 | 11 | 3 | 27 % |
| Earnings | $ 839 | $ (22) | $ 861 | * |
| **Average Balance Sheet** | | | | |
| Loans held for sale | $ 1,150 | $ 804 | $ 346 | 43 % |
| Loans | | | | |
| Consumer | | | | |
| Home equity | $ 21,957 | $ 22,763 | $ (806) | (4)% |
| Residential real estate | 19,573 | 18,104 | 1,469 | 8 % |
| Automobile | 14,392 | 16,892 | (2,500) | (15)% |
| Credit card | 5,860 | 6,948 | (1,088) | (16)% |
| Education | 2,875 | 3,281 | (406) | (12)% |
| Other consumer | 2,036 | 2,494 | (458) | (18)% |
| Total consumer | 66,693 | 70,482 | (3,789) | (5)% |
| Commercial | 14,272 | 12,068 | 2,204 | 18 % |
| Total loans | $ 80,965 | $ 82,550 | $ (1,585) | (2)% |
| Total assets | $ 96,942 | $ 99,583 | $ (2,641) | (3)% |
| Deposits | | | | |
| Noninterest-bearing demand | $ 49,578 | $ 35,680 | $ 13,898 | 39 % |
| Interest-bearing demand | 56,813 | 45,102 | 11,711 | 26 % |
| Money market | 27,115 | 22,903 | 4,212 | 18 % |
| Savings | 77,361 | 65,364 | 11,997 | 18 % |
| Certificates of deposit | 9,922 | 11,947 | (2,025) | (17)% |
| Total deposits | $ 220,789 | $ 180,996 | $ 39,793 | 22 % |
| **Performance Ratios** | | | | |
| Return on average assets | 1.75 % | (0.04)% | | |
| Noninterest income to total revenue | 32 % | 33 % | | |
| Efficiency | 75 % | 72 % | | |

| At or for six months ended June 30 | | | Change | |
|---|---|---|---|---|
| Dollars in millions, except as noted | 2021 | 2020 | $ | % |
| **Supplemental Noninterest Income Information** | | | | |
| Consumer services | $ 803 | $ 687 | $ 116 | 17 % |
| Residential mortgage | $ 208 | $ 368 | $ (160) | (43)% |
| Service charges on deposits | $ 248 | $ 246 | $ 2 | 1 % |
| **Residential Mortgage Information** | | | | |
| Residential mortgage servicing statistics (in billions, except as noted) (a) | | | | |
| Serviced portfolio balance (b) | $ 145 | $ 122 | $ 23 | 19 % |
| Serviced portfolio acquisitions | $ 40 | $ 13 | $ 27 | 208 % |
| MSR asset value (b) | $ 1.1 | $ 0.6 | $ 0.5 | 83 % |
| MSR capitalization value (in basis points) (b) | 77 | 47 | 30 | 64 % |
| Servicing income: (in millions) | | | | |
| Servicing fees, net (c) | $ 2 | $ 80 | $ (78) | (98)% |
| Mortgage servicing rights valuation, net of economic hedge | $ 38 | $ 121 | $ (83) | (69)% |
| Residential mortgage loan statistics | | | | |
| Loan origination volume (in billions) | $ 10.8 | $ 7.4 | $ 3.4 | 46 % |
| Loan sale margin percentage | 2.92 % | 3.45 % | | |
| Percentage of originations represented by: | | | | |
| Purchase volume (d) | 43 % | 35 % | | |
| Refinance volume | 57 % | 65 % | | |
| **Other Information (b)** | | | | |
| Customer-related statistics (average) | | | | |
| Non-teller deposit transactions (e) | 66 % | 61 % | | |
| Digital consumer customers (f) | 80 % | 72 % | | |
| Credit-related statistics | | | | |
| Nonperforming assets | $ 1,245 | $ 1,037 | $ 208 | 20 % |
| Net charge-offs - loans and leases | $ 187 | $ 308 | $ (121) | (39)% |
| Other statistics | | | | |
| ATMs | 9,636 | 9,058 | 578 | 6 % |
| Branches (g) | 2,724 | 2,256 | 468 | 21 % |
| Brokerage account client assets (in billions) (h) | $ 83 | $ 53 | $ 30 | 57 % |

*- Not Meaningful

(a) Represents mortgage loan servicing balances for third parties and the related income.
(b) Presented as of period end, except for average customer-related statistics and net charge-offs, which are both shown 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) Excludes stand-alone mortgage offices and satellite offices ( *e.g.*, drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(h) Includes cash and money market balances.

Retail Banking earnings for the first six months of 2021 increased $861 million compared with the same period in 2020 driven by a provision recapture, partially offset by higher noninterest expense. Results for the first six months of 2021 include the impact of BBVA's business operations for the month of June 2021. Retail banking added $26.2 billion in loans and $41.4 billion in deposits at June 30, 2021 attributable to the acquisition, along with 647 branches and 824 ATMs.

Net interest income was $2.9 billion, including $143 million from BBVA, and increased primarily due to growth in average deposit balances, partially offset by narrower interest rate spreads on the value of deposits and loans, as well as declines in average loan balances.

Noninterest income was $1.4 billion, including $35 million from BBVA, and decreased largely due to declines in residential mortgage revenue, driven by lower revenue from residential mortgage servicing rights valuation, net of economic hedge and servicing fees primarily due to higher payoffs. The decrease in noninterest income was partially offset by increased consumer services revenue driven by debit card, brokerage fees, and credit card, as well as the favorable impact of derivative fair value adjustments related to Visa Class B common shares in the first half of 2021 compared to unfavorable adjustments in the same period of 2020.

Provision recapture in the first six months of 2021 was driven by improvements in credit quality and macroeconomic factors, coupled with lower loans outstanding, partially offset by the initial provision for credit losses of $500 million related to the BBVA acquisition.

Noninterest expense was $3.2 billion, including $111 million related to BBVA, and increased primarily as a result of higher non-credit losses due to additions to litigation reserves, technology investments, personnel, and customer related transaction costs.

The deposit strategy of Retail Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances, executing on market-specific deposit growth strategies and providing a source of low-cost funding and liquidity to PNC. In the first six months of 2021, average total deposits increased compared to the same period in 2020 primarily driven by growth in demand and savings deposits which benefited from the impact of government stimulus payments.

Retail Banking average total loans decreased in the first six months of 2021 compared with the same period in 2020:

- Average auto loan balances declined due to impacts of the pandemic on the auto industry and proactive credit tightening.
- Average credit card balances decreased due to credit tightening actions taken as a result of the pandemic combined with changes in customer behavior resulting in higher balance paydowns driven by government stimulus payments.
- Average home equity loans decreased as paydowns and payoffs exceeded new originated volume.
- Average other consumer loans declined driven by lower originations due to the pandemic and the effects of government stimulus and credit tightening.
- Average education loans decreased driven by a decline in the runoff portfolio of government guaranteed education loans.
- Average commercial loans increased primarily due to PPP loans.
- Average residential real estate loans increased due to originations outpacing paydowns.

Our national expansion strategy is designed to grow customers with digitally-led banking and a thin branch network in markets outside of our existing retail branch network. In 2018, we began offering our digital high yield savings deposit product and opened our first solution center in Kansas City, Kansas. 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 services, beyond deposits and withdrawals. In 2020, we expanded into three new markets, Boston, Houston and Nashville and opened seventeen new solution centers. In the first six months of 2021 we opened eight new solution centers and expanded into two new markets, Denver and Phoenix. In total, we have thirty open solution centers within the markets of Boston, Dallas/Fort Worth, Denver, Houston, Kansas City, Nashville and Phoenix. We also offer digital unsecured installment and small business loans in the expansion markets. As a result of the BBVA acquisition, as of June 2021 we have become a coast-to-coast Retail Bank.

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. In April 2021, we announced our Low Cash Mode℠ Virtual Wallet® feature which will give all Virtual Wallet® customers the ability to avoid unnecessary overdraft fees through real-time intelligent alerts, extra time to prevent or address overdrafts, and controls to choose whether to return certain debits rather than the bank making the decision. Through the end of July we have successfully rolled out Low Cash Mode℠ to 3.7 million Virtual Wallet® customers, 2.5 million of which were rolled out through the end of June. Since April, we've delivered over 10 million Low Cash Mode℠ alerts.

Upon conversion, BBVA customers will be eligible for the full suite of PNC products and services, including Low Cash Mode℠. Our full year 2021 revenue outlook includes the impact of fee reductions on both PNC legacy and the conversion of BBVA customers.
See the Executive Summary section in this Financial Review for additional information on our business outlook.

Retail Banking 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 and as a result have closed 95 legacy PNC branches in the first six months of 2021 consistent with our plan.

- Approximately 80% of consumer customers used non-teller channels for the majority of their transactions in the first six months of 2021 compared with 72% in 2020, in part reflecting consumer transaction behavior changes during the pandemic.
- Deposit transactions via ATM and mobile channels increased to 66% of total deposit transactions in the first six months of 2021 from 61% in 2020, in part reflecting consumer transaction behavior changes during the pandemic.

**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 12: Corporate & Institutional Banking Table***

| (Unaudited)<br>Six months ended June 30<br>Dollars in millions | 2021 | 2020 | Change $ | Change % |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net interest income | $ 2,093 | $ 2,030 | $ 63 | 3 % |
| Noninterest income | 1,674 | 1,420 | 254 | 18 % |
| Total revenue | 3,767 | 3,450 | 317 | 9 % |
| Provision for (recapture of) credit losses | (178) | 2,043 | (2,221) | (109)% |
| Noninterest expense | 1,524 | 1,392 | 132 | 9 % |
| Pretax earnings | 2,421 | 15 | 2,406 | * |
| Income taxes | 547 | | 547 | * |
| Noncontrolling interest | 7 | 3 | 4 | 133 % |
| Earnings | $ 1,867 | $ 12 | $ 1,855 | * |
| **Average Balance Sheet** | | | | |
| Loans held for sale | $ 627 | $ 550 | $ 77 | 14 % |
| Loans | | | | |
| Commercial | | | | |
| Commercial and industrial | $ 118,106 | $ 128,139 | $ (10,033) | (8)% |
| Commercial real estate | 28,658 | 26,848 | 1,810 | 7 % |
| Equipment lease financing | 6,332 | 7,051 | (719) | (10)% |
| Total commercial | 153,096 | 162,038 | (8,942) | (6)% |
| Consumer | 10 | 9 | 1 | 11 % |
| Total loans | $ 153,106 | $ 162,047 | $ (8,941) | (6)% |
| Total assets | $ 176,182 | $ 185,878 | $ (9,696) | (5)% |
| Deposits | | | | |
| Noninterest-bearing demand | $ 71,142 | $ 46,904 | $ 24,238 | 52 % |
| Interest-bearing demand | 29,143 | 24,388 | 4,755 | 19 % |
| Money market | 32,481 | 32,532 | (51) | * |
| Other | 7,931 | 8,706 | (775) | (9)% |
| Total deposits | $ 140,697 | $ 112,530 | $ 28,167 | 25 % |
| **Performance Ratios** | | | | |
| Return on average assets | 2.14 % | 0.01 % | | |
| Noninterest income to total revenue | 44 % | 41 % | | |
| Efficiency | 40 % | 40 % | | |
| **Other Information** | | | | |
| Consolidated revenue from: (a) | | | | |
| Treasury Management (b) | $ 1,017 | $ 960 | $ 57 | 6 % |
| Capital Markets (b) | $ 835 | $ 732 | $ 103 | 14 % |
| Commercial mortgage banking activities: | | | | |
| Commercial mortgage loans held for sale (c) | $ 59 | $ 71 | $ (12) | (17)% |
| Commercial mortgage loan servicing income (d) | 156 | 136 | 20 | 15 % |
| Commercial mortgage servicing rights valuation, net of economic hedge (e) | 50 | 42 | 8 | 19 % |
| Total | $ 265 | $ 249 | $ 16 | 6 % |
| MSR asset value (f) | $ 682 | $ 490 | $ 192 | 39 % |
| Average Loans by C&IB business | | | | |
| Corporate Banking | $ 75,806 | $ 84,846 | $ (9,040) | (11)% |
| Real Estate | 39,799 | 39,746 | 53 | * |
| Business Credit | 22,263 | 23,597 | (1,334) | (6)% |
| Commercial Banking | 11,919 | 9,246 | 2,673 | 29 % |
| Other | 3,319 | 4,612 | (1,293) | (28)% |
| Total average loans | $ 153,106 | $ 162,047 | $ (8,941) | (6)% |
| Credit-related statistics | | | | |
| Nonperforming assets (f) | $ 1,274 | $ 674 | $ 600 | 89 % |
| Net charge-offs - loans and leases | $ 277 | $ 149 | $ 128 | 86 % |

*- Not Meaningful

(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.

Corporate & Institutional Banking earnings in the first six months of 2021 increased $1.9 billion compared with the same period in 2020 driven by a provision recapture and higher total revenue, partially offset by higher noninterest expense. Results for the first six months of 2021 include the impact of BBVA's business operations for the month of June 2021. Corporate & Institutional Banking added $30.6 billion in loans and $32.8 billion in deposits at June 30, 2021 attributable to the acquisition.

Net interest income, including $99 million from BBVA, increased in the comparison primarily due to wider interest rate spreads on the value of loans and higher average deposit balances, partially offset by narrower interest rate spreads on the value of deposits and lower average loan balances.

Growth in noninterest income, including $35 million from BBVA, in the comparison reflected broad-based increases in treasury management product revenue, capital markets-related revenue and revenue from commercial mortgage banking activities.

Provision recapture in the first six months of 2021 was driven by improvements in credit quality and macroeconomic factors, coupled with lower loans outstanding, partially offset by the initial provision for credit losses of $462 million related to the BBVA acquisition.

Nonperforming assets at June 30, 2021 increased over the comparative period of 2020 primarily due to $763 million of nonperforming assets from BBVA.

Noninterest expense, including $55 million from BBVA, increased in the comparison largely due to higher variable costs associated with increased business activity.

Average loans decreased compared with the six months ended June 30, 2020 due to declines in Corporate Banking and Business Credit, partially offset by increases in Commercial Banking and Real Estate:

- Corporate Banking provides lending, equipment finance, 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 declined reflecting lower average utilization of loan commitments, partially offset by new production and loans from BBVA.
- Business Credit provides asset-based lending and equipment financing solutions. The loan and lease portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by marketable collateral. Average loans for this business declined primarily driven by lower average utilization of loan commitments, partially offset by new production and loans from BBVA.
- 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 and loans from BBVA, partially offset by softer new production and lower average utilization of loan commitments.
- Real Estate provides banking, financing and servicing solutions for commercial real estate clients across the country. Average loans for this business increased reflecting loans from BBVA, mostly offset by lower commercial mortgage and multifamily agency warehouse lending.

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 impacts 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 executed on our expansion plans into the Seattle and Portland markets in 2020, and in 2021, the BBVA acquisition accelerated our expansion efforts across the Southwest, however this has not changed our strategy regarding our de novo expansion efforts. 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 12 includes the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

The Treasury Management business provides corporations with cash and investment management services, receivables and disbursement management services, funds transfer services, international payment services and access to online/mobile information management and reporting services. Within Treasury Management, PNC Global Transfers (formerly BBVA Transfer Services, Inc.) provides wholesale money transfer processing capabilities throughout Mexico, Central America, South America and the Caribbean. Treasury management revenue is reported in noninterest income and net interest income. Noninterest income includes treasury management product revenue less earnings credits provided to customers on compensating deposit balances used to pay for products and services. Net interest income primarily includes revenue from all treasury management customer deposit balances. Compared with the first six months of 2020, treasury management revenue increased due to higher deposit balances and higher noninterest income, including $25 million from BBVA, partially offset by narrower interest rate spreads on the value of deposits.

Capital markets-related products and services include foreign exchange, derivatives, fixed income, 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 primarily driven by higher merger and acquisition advisory fees, revenue from credit valuations on customer-related derivatives activities and equity capital market advisory fees. These increases were partially offset by lower customer-related derivative fees.

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 primarily due to higher commercial mortgage servicing income.

## 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 13: Asset Management Group Table***

| (Unaudited)<br>Six months ended June 30<br>Dollars in millions, except as noted | 2021 | 2020 | Change $ | Change % |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net interest income | $ 205 | $ 177 | $ 28 | 16 % |
| Noninterest income | 473 | 408 | 65 | 16 % |
| Total revenue | 678 | 585 | 93 | 16 % |
| Provision for credit losses | 14 | 42 | (28) | (67)% |
| Noninterest expense | 421 | 436 | (15) | (3)% |
| Pretax earnings | 243 | 107 | 136 | 127 % |
| Income taxes | 57 | 25 | 32 | 128 % |
| Earnings | $ 186 | $ 82 | $ 104 | 127 % |
| **Average Balance Sheet** | | | | |
| Loans | | | | |
| Consumer | | | | |
| Residential real estate | $ 4,040 | $ 2,511 | $ 1,529 | 61 % |
| Other consumer | 4,099 | 4,013 | 86 | 2 % |
| Total consumer | 8,139 | 6,524 | 1,615 | 25 % |
| Commercial | 1,087 | 869 | 218 | 25 % |
| Total loans | $ 9,226 | $ 7,393 | $ 1,833 | 25 % |
| Total assets | $ 9,761 | $ 7,880 | $ 1,881 | 24 % |
| Deposits | | | | |
| Noninterest-bearing demand | $ 2,148 | $ 1,445 | $ 703 | 49 % |
| Interest-bearing demand | 9,291 | 7,296 | 1,995 | 27 % |
| Money market | 2,297 | 1,653 | 644 | 39 % |
| Savings | 7,768 | 7,297 | 471 | 6 % |
| Other | 509 | 785 | (276) | (35)% |
| Total deposits | $ 22,013 | $ 18,476 | $ 3,537 | 19 % |
| **Performance Ratios** | | | | |
| Return on average assets | 3.84 % | 2.10 % | | |
| Noninterest income to total revenue | 70 % | 70 % | | |
| Efficiency | 62 % | 75 % | | |
| **Supplemental Noninterest Income Information** | | | | |
| Asset management fees | $ 465 | $ 400 | $ 65 | 16 % |
| Brokerage fees | 2 | | 2 | * |
| Total | $ 467 | $ 400 | $ 67 | 17 % |
| **Other Information** | | | | |
| Nonperforming assets (a) | $ 85 | $ 38 | $ 47 | 124 % |
| Net charge-offs (recoveries) - loans and leases | $ 2 | $ (1) | $ 3 | 300 % |
| Brokerage account client assets (in billions) (a) | $ 5 | | $ 5 | * |
| **Client Assets Under Administration** (in billions) (a) (b) | | | | |
| Discretionary client assets under management | $ 183 | $ 151 | $ 32 | 21 % |
| Nondiscretionary client assets under administration | 172 | 138 | 34 | 25 % |
| Total | $ 355 | $ 289 | $ 66 | 23 % |
| Discretionary client assets under management | | | | |
| Personal | $ 119 | $ 94 | $ 25 | 27 % |
| Institutional | 64 | 57 | 7 | 12 % |
| Total | $ 183 | $ 151 | $ 32 | 21 % |

* - Not meaningful
(a) As of June 30.
(b) Excludes brokerage account client assets.

Asset Management Group earnings in the first six months of 2021 increased $104 million compared with the same period in 2020 driven by higher revenue, lower noninterest expense and lower provision for credit losses. Results for the first six months of 2021 include the impact of BBVA's business operations for the month of June 2021. Asset Management Group added $3.7 billion in loans and $8.7 billion in deposits at June 30, 2021 attributable to the acquisition.

Net interest income, including $21 million from BBVA, increased due to growth in average loan and deposit balances, wider interest rate spreads on loans and purchase accounting impacts. This was partially offset by narrower interest rate spreads on deposits.

The increase in noninterest income, including $6 million from BBVA, was primarily attributable to increases in the average equity markets.

Noninterest expense, including $10 million from BBVA, declined due to intangible asset amortization run-off and lower costs associated with decreased business travel.

Provision for credit losses in the first six months of 2021 was driven by an initial provision for credit losses of $45 million related to the acquisition of BBVA, partially offset by improvements in credit quality and macroeconomic factors.

Discretionary client assets under management, including $4.6 billion from BBVA, increased in comparison to the prior year primarily due to the higher equity markets as of June 30, 2021.

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.

With the inclusion of BBVA, Personal Wealth Management has approximately 100 offices operating in eight out of the ten most affluent states in the U.S. with a majority co-located with retail banking branches. The business provides 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 retirement plan fiduciary investment services to institutional clients including corporations, healthcare systems, insurance companies, unions, municipalities and non-profits.

We expect that the BBVA acquisition will continue to allow meaningful opportunities to grow the Asset Management Group segment by entering into new markets for both the Personal Wealth Management and Institutional Asset Management businesses.

## Risk Management

The Risk Management section included in Item 7 of our 2020 Form 10-K describes our enterprise risk management framework including risk culture, enterprise strategy, risk governance and oversight framework, risk identification, risk assessment, risk controls and monitoring, and risk aggregation and reporting. Additionally, our 2020 Form 10-K provides an analysis of the firm's Capital Management and our key areas of risk, which include but are not limited to Credit, Market, Liquidity and Operational (including Compliance and Information Security).

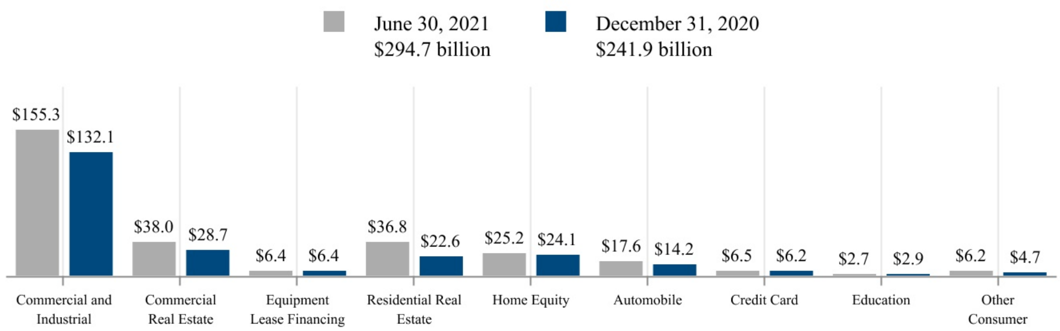
Upon closing of the acquisition of BBVA, the PNC Enterprise Risk Management Framework applies to the legal entities acquired from BBVA S.A., including BBVA USA. Prior to closing, PNC’s Independent Risk Management group evaluated and updated the frameworks, policies and procedures of the acquired BBVA entities as necessary. The updates were made to align the acquired BBVA entities with PNC’s risk appetite and connected the elements of their respective risk governance and reporting into PNC’s existing enterprise risk framework. Connecting the existing BBVA risk governance and reporting framework into PNC’s existing enterprise risk framework allows separate risk profiles, governance, and reporting for PNC Bank and the acquired BBVA entities, during the period from acquisition through conversion, while also providing the ability to consolidate into one enterprise risk profile that will be communicated through the established risk governance and reporting for PNC. Upon the merger of BBVA USA into PNC Bank, anticipated for October 2021, the updated BBVA risk governance and reporting framework will no longer be applicable as all entities will be under PNC's framework.

### 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 designed to be 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 14: Details of Loans***
In billions




We use several credit quality indicators, as further detailed in Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements in Item 1 of this Report, to monitor and measure our exposure to credit risk within our loan portfolio. The following provides additional information about the significant loan classes that comprise our Commercial and Consumer portfolio segments.

Commercial

*Commercial and Industrial*
Commercial and industrial loans comprised 53% and 55% of our total loan portfolio at June 30, 2021 and December 31, 2020, 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 PD and 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 NAICS).

***Table 15: Commercial and Industrial Loans by Industry***

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Dollars in millions | Amount | % of Total | Amount | % of Total |
| Commercial and industrial | | | | |
| Manufacturing | $ 22,709 | 15 % | $ 20,712 | 16 % |
| Retail/wholesale trade | 22,596 | 15 | 20,218 | 15 |
| Service providers | 22,303 | 14 | 19,419 | 15 |
| Financial services | 15,947 | 10 | 14,909 | 11 |
| Real estate related (a) | 14,945 | 10 | 13,369 | 10 |
| Health care | 11,713 | 8 | 8,987 | 7 |
| Transportation and warehousing | 7,967 | 5 | 7,095 | 5 |
| Other industries | 37,120 | 23 | 27,364 | 21 |
| Total commercial and industrial loans | $ 155,300 | 100 % | $ 132,073 | 100 % |

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

The increase in commercial and industrial loans compared to December 31, 2020 primarily reflects the $28.3 billion of commercial and industrial loans from BBVA. Amounts also include $11.6 billion of PPP loans outstanding at June 30, 2021, $2.1 billion of which were from BBVA. PPP loans outstanding at December 31, 2020 totaled $12.0 billion. For additional information on PPP lending, see the COVID-19 Relief section within Item I of our 2020 Form 10-K.

See the Commercial High Impact Industries discussion within this Credit Risk Management section 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 $21.4 billion related to commercial mortgages, $8.6 billion of real estate project loans and $8.0 billion of intermediate term financing loans as of June 30, 2021. Comparable amounts as of December 31, 2020 were $17.3 billion, $6.3 billion and $5.1 billion, respectively. Balances at June 30, 2021 include BBVA contributions of $4.6 billion, $1.8 billion and $3.8 billion, respectively.

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

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Dollars in millions | Amount | % of Total | Amount | % of Total |
| Geography (a) | | | | |
| California | $ 6,173 | 16 % | $ 4,458 | 16 % |
| Texas | 4,292 | 11 | 2,031 | 7 |
| Florida | 3,741 | 10 | 2,991 | 10 |
| Maryland | 1,879 | 5 | 1,770 | 6 |
| Virginia | 1,765 | 5 | 1,586 | 6 |
| Pennsylvania | 1,577 | 4 | 1,425 | 5 |
| Illinois | 1,368 | 4 | 900 | 3 |
| Ohio | 1,330 | 4 | 1,247 | 4 |
| Arizona | 1,327 | 3 | 636 | 2 |
| Colorado | 1,200 | 3 | 584 | 2 |
| Other | 13,312 | 35 | 11,088 | 39 |
| Total commercial real estate loans | $ 37,964 | 100 % | $ 28,716 | 100 % |
| Property Type | | | | |
| Multifamily | $ 12,794 | 34 % | $ 9,617 | 33 % |
| Office | 10,556 | 28 | 7,691 | 27 |
| Retail | 4,053 | 11 | 3,490 | 12 |
| Industrial/warehouse | 2,776 | 7 | 1,999 | 7 |
| Hotel/motel | 2,440 | 6 | 1,954 | 7 |
| Seniors housing | 2,450 | 6 | 1,417 | 5 |
| Mixed use | 838 | 2 | 835 | 3 |
| Other | 2,057 | 6 | 1,713 | 6 |
| Total commercial real estate loans | $ 37,964 | 100 % | $ 28,716 | 100 % |

(a) Presented in descending order based on loan balances at June 30, 2021.

*Commercial High Impact Industries*

In light of the economic circumstances related to COVID-19, we are continuing to evaluate and monitor our entire commercial portfolio for elevated levels of credit risk; however, the industry sectors that have been and we believe will continue to be most likely 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
  - Seniors housing: assisted living, independent living

As of June 30, 2021, our outstanding loan balances in these industries totaled $22.9 billion, or approximately 8% of our total loan portfolio, while additional unfunded loan commitments totaled $13.8 billion. BBVA contributed $7.0 billion of outstanding loans and $2.4 billion of unfunded loan commitments to these high impact industries at June 30, 2021. We continue to carefully monitor and manage these loans, and while we have not yet experienced material charge-offs in these industries, we do expect to see continued stress.

In our non-real estate related category we have $13.6 billion in loans outstanding, $2.7 billion of which are funded through the PPP and guaranteed by the SBA. Nonperforming loans in these industries totaled $0.2 billion, or 1% of total loans outstanding in the non-real estate related category, while criticized assets totaled $1.9 billion at June 30, 2021 with the greatest stress seen in the leisure recreation and leisure travel sectors.

Within the real estate related category we have $9.3 billion in loans outstanding, which includes real estate projects of $6.9 billion and unsecured real estate of $2.4 billion. Nonperforming loans in these industries totaled $0.3 billion at June 30, 2021, or 3% of total loans outstanding in the commercial real estate related category. In this category, while loan performance has not materially deteriorated, these industries continue to face headwinds that have resulted in a slower recovery compared with the pace of the overall economy.

*Oil and Gas Loan Portfolio*

As of June 30, 2021, our outstanding loans in the oil and gas sector totaled $4.7 billion, or 2% of total loans. This portfolio comprised approximately $1.8 billion in the midstream and downstream sectors, $1.0 billion of oil services companies and $1.9 billion related to exploration and production companies. Of the oil services category, approximately $0.2 billion is not asset-based or investment grade. Nonperforming loans in the oil and gas sector as of June 30, 2021 totaled $0.3 billion, or 6% of total loans outstanding in this sector. Additional unfunded loan commitments for the oil and gas portfolio totaled $10.3 billion at June 30, 2021. BBVA contributed $2.1 billion of outstanding loans and $3.5 billion of unfunded loan commitments to the oil and gas loan portfolio at June 30, 2021.

Consumer

*Residential Real Estate*

Residential real estate loans primarily consisted of residential mortgage loans at both June 30, 2021 and December 31, 2020. BBVA contributed $13.0 billion of residential real estate loans to PNC's portfolio at June 30, 2021.

We obtain loan attributes at origination, including original FICO scores and LTVs, and we update these and other credit metrics at least quarterly. We track borrower performance monthly. We also segment the mortgage portfolio into pools based on product type (*e.g.*, nonconforming, conforming). This information is used for internal reporting and risk management. 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.

Newly originated loans that we retained on our balance sheet over the last twelve months had a weighted-average LTV on originations of 67% and a weighted-average FICO score of 777.

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

***Table 17: Residential Real Estate Loans by Geography***

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Dollars in millions | Amount | % of Total | Amount | % of Total |
| Geography (a) | | | | |
| California | $ 12,752 | 35 % | $ 7,828 | 35 % |
| Texas | 4,644 | 13 | 409 | 2 |
| Florida | 3,097 | 8 | 1,620 | 7 |
| New Jersey | 1,561 | 4 | 1,635 | 7 |
| Arizona | 1,470 | 4 | 163 | 1 |
| Washington | 1,446 | 4 | 1,104 | 5 |
| Colorado | 1,192 | 3 | 262 | 1 |
| New York | 1,098 | 3 | 1,020 | 5 |
| Pennsylvania | 1,023 | 3 | 1,036 | 5 |
| Illinois | 984 | 3 | 1,039 | 5 |
| Other | 7,579 | 20 | 6,444 | 27 |
| Total residential real estate loans | $ 36,846 | 100 % | $ 22,560 | 100 % |

(a) Presented in descending order based on loan balances at June 30, 2021.

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. Our portfolio of originated nonconforming residential mortgage loans totaled $28.0 billion at June 30, 2021 with 41% located in California.

*Home Equity*

Home equity loans comprised $15.1 billion of primarily variable-rate home equity lines of credit and $10.1 billion of closed-end home equity installment loans at June 30, 2021. Comparable amounts were $12.6 billion and $11.5 billion as of December 31, 2020, respectively. Balances at June 30, 2021 include BBVA contributions of $2.3 billion and $0.1 billion, respectively.

We track borrower performance of this portfolio monthly similarly to residential real estate loans. 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) and track the historical performance of any related mortgage loans regardless of whether we hold the lien. This information is used for internal reporting and risk management. 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.

Newly originated loans over the last twelve months had a weighted-average LTV on originations of 65% and a weighted-average FICO score of 782.

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, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Dollars in millions | Amount | % of Total | Amount | % of Total |
| Geography (a) | | | | |
| Pennsylvania | $ 5,279 | 21 % | $ 5,602 | 23 % |
| New Jersey | 3,244 | 13 | 3,462 | 14 |
| Ohio | 2,545 | 10 | 2,753 | 11 |
| Florida | 1,724 | 7 | 1,536 | 6 |
| Michigan | 1,312 | 5 | 1,398 | 6 |
| Illinois | 1,271 | 5 | 1,411 | 6 |
| Maryland | 1,255 | 5 | 1,332 | 6 |
| Texas | 1,052 | 4 | 7 | |
| North Carolina | 977 | 4 | 1,043 | 4 |
| Kentucky | 836 | 3 | 922 | 4 |
| Other | 5,679 | 23 | 4,622 | 20 |
| Total home equity loans | $ 25,174 | 100 % | $ 24,088 | 100 % |
| Lien type | | | | |
| 1st lien | | 60 % | | 63 % |
| 2nd lien | | 40 | | 37 |
| Total | | 100 % | | 100 % |

(a) Presented in descending order based on loan balances at June 30, 2021.

*Automobile*

Auto loans comprised $16.2 billion in the indirect auto portfolio and $1.4 billion in the direct auto portfolio as of June 30, 2021. Comparable amounts as of December 31, 2020 were $12.7 billion and $1.5 billion, respectively. Balances at June 30, 2021 include BBVA contributions of $3.8 billion and $0.1 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.

The following table presents certain key statistics related to our indirect and direct auto portfolios:

***Table 19: Auto Loan Key Statistics***

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Weighted-average loan origination FICO score (a) | | |
| Indirect auto | 794 | 784 |
| Direct auto | 770 | 768 |
| Weighted-average term of loan originations - in months (a) | | |
| Indirect auto | 72 | 72 |
| Direct auto | 62 | 62 |

(a) Weighted-averages calculated for the twelve months ended June 30, 2021 and December 31, 2020, respectively, using the auto enhanced FICO scale.

We continue to focus on borrowers with strong credit profiles as evidenced by the weighted-average loan origination FICO scores noted in Table 19. We offer both new and used auto financing to customers through our various channels. The portfolio balance was composed of 54% new vehicle loans and 46% used vehicle loans at June 30, 2021. Comparable amounts at December 31, 2020 were 56% and 44%, 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 geography, channel, 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 TDRs and PCD loans, 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. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K for details on our nonaccrual policies.

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

***Table 20: Nonperforming Assets by Type***

| Dollars in millions | June 30, 2021 | December 31, 2020 | Change $ | Change % |
|---|---|---|---|---|
| Nonperforming loans | | | | |
| Commercial | $ 1,446 | $ 923 | $ 523 | 57 % |
| Consumer (a) | 1,333 | 1,363 | (30) | (2)% |
| Total nonperforming loans | 2,779 | 2,286 | 493 | 22 % |
| OREO and foreclosed assets | 39 | 51 | (12) | (24)% |
| Total nonperforming assets | $ 2,818 | $ 2,337 | $ 481 | 21 % |
| TDRs included in nonperforming loans | $ 762 | $ 902 | $ (140) | (16)% |
| Percentage of total nonperforming loans | 27 % | 39 % | | |
| Nonperforming loans to total loans | 0.94 % | 0.94 % | | |
| Nonperforming assets to total loans, OREO and foreclosed assets | 0.96 % | 0.97 % | | |
| Nonperforming assets to total assets | 0.51 % | 0.50 % | | |
| Allowance for loan and lease losses to nonperforming loans | 206 % | 235 % | | |

(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.

Nonperforming assets at June 30, 2021 included $880 million of nonperforming assets from BBVA, of which $847 million was in the commercial portfolio, $24 million in the consumer portfolio and $9 million of OREO and foreclosed assets. Declines in PNC legacy nonperforming assets from December 31, 2020 reflected improved credit performance.

The following table provides details on the change in nonperforming assets for the six months ended June 30, 2021 and 2020:

***Table 21: Change in Nonperforming Assets***

| In millions | 2021 | 2020 |
|---|---|---|
| January 1 | $ 2,337 | $ 1,752 |
| New nonperforming assets | 456 | 849 |
| Charge-offs and valuation adjustments | (131) | (249) |
| Principal activity, including paydowns and payoffs | (450) | (243) |
| Asset sales and transfers to loans held for sale | (101) | (48) |
| Returned to performing status | (173) | (106) |
| Acquired nonperforming assets | 880 | |
| June 30 | $ 2,818 | $ 1,955 |

As of June 30, 2021 approximately 97% of total nonperforming loans were secured by collateral which lessened reserve requirements and is expected to reduce credit losses.

Within consumer nonperforming loans, residential real estate TDRs comprised 47% of total residential real estate nonperforming loans while home equity TDRs comprised 38% of home equity nonperforming loans at June 30, 2021. Comparable amounts at December 31, 2020 were 47% and 41%, 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, 2021, our largest nonperforming asset was $141 million in the Real Estate and Rental and Leasing industry and the ten largest individual nonperforming assets represented 17% 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 PCD loans. Amounts exclude loans held for sale.

Pursuant to the interagency guidance issued in April 2020 and in connection with the credit reporting rules from the CARES Act, the June 30, 2021 and December 31, 2020 delinquency status of loans modified due to COVID-19 related hardships aligns 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:

- if current at the time of modification, the loan remains current throughout the modification period,
- if delinquent at the time of modification and the borrower was not made current as part of the modification, the loan maintains its reported delinquent status during the modification period, or
- 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, 2021 and December 31, 2020 based on the contractual terms of the loan, even where borrowers may not be making payments on their loans during the modification period. Loan modifications due to COVID-19 related hardships that permanently reduce either the contractual interest rate or the principal balance of a loan do not qualify for TDR relief under the CARES Act or the interagency guidance. See the COVID-19 Relief section in Item 1 of our 2020 Form 10-K for more information on the CARES Act and the related interagency guidance.

*Table 22: Accruing Loans Past Due (a) (b)*

| | Amount | | | | % of Total Loans Outstanding | |
|---|---|---|---|---|---|---|
| Dollars in millions | June 30 2021 | December 31 2020 | Change $ | Change % | June 30 2021 | December 31 2020 |
| Early stage loan delinquencies | | | | | | |
| Accruing loans past due 30 to 59 days | $ 548 | $ 620 | $ (72) | (12)% | 0.19 % | 0.26 % |
| Accruing loans past due 60 to 89 days | 215 | 234 | (19) | (8)% | 0.07 % | 0.10 % |
| Total early stage loan delinquencies | 763 | 854 | (91) | (11)% | 0.26 % | 0.35 % |
| Late stage loan delinquencies | | | | | | |
| Accruing loans past due 90 days or more | 527 | 509 | 18 | 4 % | 0.18 % | 0.21 % |
| Total accruing loans past due | $ 1,290 | $ 1,363 | $ (73) | (5)% | 0.44 % | 0.56 % |

(a) Past due loan amounts include government insured or guaranteed loans of $0.5 billion and $0.6 billion at June 30, 2021 and December 31, 2020, respectively.
(b) Amounts as of June 30, 2021 include $197 million of early stage loan delinquencies and $94 million of late stage loan delinquencies from the BBVA acquisition.

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 have been restructured but that meet certain criteria under the CARES Act are not categorized as TDRs. For additional information on the CARES Act, including TDR treatment under the CARES Act and interagency guidance, see the COVID-19 Relief section within Item 1 of our 2020 Form 10-K.

The following table provides a summary of Troubled Debt Restructurings at June 30, 2021 and December 31, 2020, respectively:

*Table 23: Summary of Troubled Debt Restructurings (a)*

| Dollars in millions | June 30 2021 | December 31 2020 | Change $ | Change % |
|---|---|---|---|---|
| Commercial | $ 470 | $ 528 | $ (58) | (11)% |
| Consumer | 1,015 | 1,116 | (101) | (9)% |
| Total TDRs | $ 1,485 | $ 1,644 | $ (159) | (10)% |
| Nonperforming | $ 762 | $ 902 | $ (140) | (16)% |
| Accruing (b) | 723 | 742 | (19) | (3)% |
| Total TDRs | $ 1,485 | $ 1,644 | $ (159) | (10)% |

(a) Amounts in table do not include associated valuation allowances.
(b) Accruing loans include consumer credit card loans and certain 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 27% of total nonperforming loans and 51% of total TDRs at June 30, 2021. Comparable amounts at December 31, 2020 were 39% and 55%, 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 4 Loans and Related Allowance for Credit Losses in the Notes to Consolidated Financial Statements included in Item 1 of this Report for additional information on TDRs.

Loan Modifications
During the first six months of 2021, PNC continued to provide relief to our customers from the economic impacts of COVID-19 through a variety of solutions, including additional grants and extensions of loan and lease modifications under our hardship relief programs. We continued to see a reduction in the number of customers in active assistance from the peak in the summer of 2020, which led to additional declines in loans under modification that present credit risk to PNC at June 30, 2021.

The impact of these modifications was considered within the quarterly reserve determination. See the Allowance for Credit Losses discussion within the Critical Accounting Estimates and Judgments section of this Financial Review for additional information. Refer to the Loan Delinquencies discussion in this Credit Risk Management section for information on how these hardship related loan modifications are reported from a delinquency perspective as of June 30, 2021.

Under the CARES Act, loan modifications meeting certain criteria qualify the loan for relief from TDR treatment. Loans that do not meet the criteria for TDR relief under the CARES Act may also be evaluated under interagency guidance. For additional information on this criteria, see the Loan Modifications discussion in the Credit Risk Management section within Item 7 of our 2020 Form 10-K.

*Consumer Loan Modifications Under Hardship Relief Programs*
Our consumer loan modification programs are being granted in response to customer hardships that extended beyond the initial relief period. These loan and line modifications include all hardship related modifications. See the Loan Modifications discussion within Credit Risk Management in Item 7 of our 2020 Form 10-K for additional details.

The following table provides a summary of consumer accounts in active assistance under hardship relief programs that were on our balance sheet at June 30, 2021. Excluded from Table 24 are government insured or guaranteed loans totaling $371 million and $282 million in the Residential real estate and Education loans classes, respectively. These loans present minimal credit risk to PNC. Loans in active hardship assistance programs offered by BBVA prior to acquisition were $69 million at June 30, 2021 and are excluded from Table 24.

***Table 24: Consumer Loans in Active Hardship Relief Programs (a) (b)***

| As of June 30, 2021 - Dollars in millions | Number of Accounts | Unpaid Principal Balance | % of Loan Class (c) | % Making Payment in Last Payment Cycle |
|---|---|---|---|---|
| Consumer | | | | |
| Residential real estate | 1,727 | $ 390 | 1.1 % | 28.2 % |
| Home equity | 697 | 50 | 0.2 % | 84.5 % |
| Automobile | 2,475 | 61 | 0.3 % | 75.8 % |
| Credit card | 7,845 | 50 | 0.8 % | 77.2 % |
| Education | 3,527 | 53 | 1.9 % | 61.6 % |
| Other consumer | 661 | 9 | 0.1 % | 78.7 % |
| Total consumer (d) | 16,932 | $ 613 | 0.6 % | 71.8 % |

(a) In cases where there have been multiple modifications on an individual loan, regardless of the number of modifications granted, each loan is counted only once in this table.
(b) Amounts include loan modifications that qualify for TDR accounting totaling $123 million.
(c) Based on total loans outstanding at June 30, 2021.
(d) Approximately 82% of these loan balances were secured by collateral at June 30, 2021.

Modifications are considered to have exited active assistance after the modification period has expired or the modification was exited. As of June 30, 2021, approximately 97% of the accruing consumer loans that have exited hardship relief program modifications offered by legacy PNC were current or less than 30 days past due.

See the Credit Risk Management section within Item 7 of our 2020 Form 10-K for information on the TDR impacts of our modification programs.

**Allowance for Credit Losses**
Our ACL is based on historical loss experience, current 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, equipment finance leases (including residual values), other financial assets and unfunded lending related commitments 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.

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K and the Credit Risk Management section within Item 7 of our 2020 Form 10-K for additional discussion of our ACL, including details of our methodologies. 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 as of June 30, 2021.

The following table summarizes our allowance for credit losses by loan class:

***Table 25: Allowance for Credit Losses by Loan Class (a)***

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| 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 | $ 2,282 | $ 155,300 | 1.47 % | $ 2,300 | $ 132,073 | 1.74 % |
| Commercial real estate | 1,404 | 37,964 | 3.70 % | 880 | 28,716 | 3.06 % |
| Equipment lease financing | 126 | 6,376 | 1.98 % | 157 | 6,414 | 2.45 % |
| Total commercial | 3,812 | 199,640 | 1.91 % | 3,337 | 167,203 | 2.00 % |
| Consumer | | | | | | |
| Residential real estate | 63 | 36,846 | 0.17 % | 28 | 22,560 | 0.12 % |
| Home equity | 188 | 25,174 | 0.75 % | 313 | 24,088 | 1.30 % |
| Automobile | 421 | 17,551 | 2.40 % | 379 | 14,218 | 2.67 % |
| Credit card | 711 | 6,528 | 10.89 % | 816 | 6,215 | 13.13 % |
| Education | 98 | 2,726 | 3.60 % | 129 | 2,946 | 4.38 % |
| Other consumer | 437 | 6,239 | 7.00 % | 359 | 4,698 | 7.64 % |
| Total consumer | 1,918 | 95,064 | 2.02 % | 2,024 | 74,725 | 2.71 % |
| Total | 5,730 | $ 294,704 | 1.94 % | 5,361 | $ 241,928 | 2.22 % |
| Allowance for unfunded lending related commitments | 645 | | | 584 | | |
| Allowance for credit losses | $ 6,375 | | | $ 5,945 | | |
| Allowance for credit losses to total loans | | | 2.16 % | | | 2.46 % |
| Commercial | | | 2.18 % | | | 2.29 % |
| Consumer | | | 2.14 % | | | 2.84 % |

(a) Excludes allowances for investment securities and other financial assets, which together totaled $138 million and $109 million at June 30, 2021 and December 31, 2020, respectively.

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

***Table 26: Loan Charge-Offs and Recoveries***

| Six months ended June 30<br>Dollars in millions | Gross Charge-offs | Recoveries | Net Charge-offs / (Recoveries) | % of Average Loans (Annualized) |
|---|---|---|---|---|
| **2021** | | | | |
| Commercial | | | | |
| Commercial and industrial | $ 304 | $ 43 | $ 261 | 0.39 % |
| Commercial real estate | 33 | 3 | 30 | 0.20 % |
| Equipment lease financing | 6 | 6 | | |
| Total commercial | 343 | 52 | 291 | 0.34 % |
| Consumer | | | | |
| Residential real estate | 7 | 11 | (4) | (0.03) % |
| Home equity | 14 | 38 | (24) | (0.20) % |
| Automobile | 87 | 79 | 8 | 0.11 % |
| Credit card | 134 | 23 | 111 | 3.81 % |
| Education | 8 | 4 | 4 | 0.28 % |
| Other consumer | 78 | 12 | 66 | 2.75 % |
| Total consumer | 328 | 167 | 161 | 0.42 % |
| Total | $ 671 | $ 219 | $ 452 | 0.37 % |
| **2020** | | | | |
| Commercial | | | | |
| Commercial and industrial | $ 190 | $ 31 | $ 159 | 0.23 % |
| Commercial real estate | | 4 | (4) | (0.03) % |
| Equipment lease financing | 15 | 4 | 11 | 0.31 % |
| Total commercial | 205 | 39 | 166 | 0.19 % |
| Consumer | | | | |
| Residential real estate | 2 | 8 | (6) | (0.05) % |
| Home equity | 19 | 29 | (10) | (0.08) % |
| Automobile | 153 | 64 | 89 | 1.06 % |
| Credit card | 154 | 17 | 137 | 3.96 % |
| Education | 10 | 4 | 6 | 0.37 % |
| Other consumer | 75 | 9 | 66 | 2.69 % |
| Total consumer | 413 | 131 | 282 | 0.72 % |
| Total | $ 618 | $ 170 | $ 448 | 0.35 % |

Total net charge-offs of $452 million for the first six months of 2021 included $248 million attributable to BBVA, primarily related to commercial and industrial loans, which were largely the result of required purchase accounting treatment for the acquisition.

See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements in Item 1 of 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 2020 Form 10-K.

One of the ways we monitor our liquidity is by reference to the LCR, a regulatory minimum liquidity requirement designed to ensure that covered banking organizations maintain an adequate level of liquidity to meet net liquidity needs over the course of a hypothetical 30-day stress scenario. The LCR is calculated by dividing the amount of an institution's HQLA, as 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, 2021, the LCR for PNC and PNC Bank exceeded the requirement of 100%.

Additionally, the acquisition of BBVA moved BBVA USA from a Category IV bank to a Category III bank. Due to certain transition provisions in the LCR rules, as a Category III bank, BBVA USA will not be subject to the LCR on a standalone basis as it is anticipated to be merged into PNC Bank prior to the effective date for LCR compliance in 2022.

We provide additional information regarding regulatory liquidity requirements and their potential impact on us in the Supervision and Regulation and Recent Regulatory Developments section of Item 1 Business and Item 1A Risk Factors of our 2020 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 $452.9 billion at June 30, 2021 from $365.3 billion at December 31, 2020, driven by growth in both interest-bearing and noninterest-bearing deposits primarily due to $82.2 billion from the BBVA acquisition. 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, 2021, 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 $83.8 billion and securities available for sale totaling $125.1 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 $24.0 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, $0.1 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 the Funding Sources section of the Consolidated Balance Sheet Review in this Report and Note 10 Borrowed Funds in Item 8 of our 2020 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 27: Senior and Subordinated Debt***

| In billions | 2021 |
|---|---|
| January 1 | $ 30.7 |
| Issuances | 1.0 |
| Calls and maturities | (1.9) |
| Other | (0.5) |
| Impact from BBVA acquisition | 2.2 |
| June 30 | $ 31.5 |

**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, 2021, PNC Bank had $17.4 billion of notes outstanding under this program of which $12.4 billion were senior bank notes and $5.0 billion were subordinated bank notes.

At June 30, 2021, BBVA USA had $2.1 billion of notes outstanding, of which $1.3 billion were senior bank notes and $0.8 billion were subordinated bank notes.

***Table 28: PNC Bank Notes Redeemed***

| Redemption Date | Amount | Description of Redemption |
|---|---|---|
| July 22, 2021 | $900 million | All outstanding Senior Floating Rate Notes with an original scheduled maturity date of July 22, 2022. The redemption price was equal to $1,000 per $1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of July 22, 2021. |
| July 22, 2021 | $600 million | All outstanding Senior Fixed Rate/Floating Rate Notes with an original scheduled maturity date of July 22, 2022. The securities had a distribution rate of 2.232%. The redemption price was equal to $1,000 per $1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of July 22, 2021. |

PNC Bank and BBVA USA maintain additional secured borrowing capacity with the FHLB 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, 2021, our unused secured borrowing capacity at the FHLB and the Federal Reserve Bank totaled $96.4 billion, of which $17.3 billion is from the BBVA acquisition.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of June 30, 2021, there were no issuances outstanding under this program.

Additionally, PNC Bank may also access funding from the parent company through deposits placed at the bank, or through issuing senior unsecured notes.

**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.

On April 23, 2021, the parent company issued $1.0 billion of senior fixed-to-floating rate notes with a maturity date of April 23, 2032. Interest is payable semi-annually in arrears at a fixed rate of 2.307% per annum, on April 23 and October 23 of each year, beginning on October 23, 2021. Beginning on April 23, 2031, interest is payable quarterly in arrears at a floating rate per annum equal to
Compounded SOFR (determined with respect to each quarterly interest period using the SOFR Index), plus 0.97926%, on July 23, 2031, October 23, 2031, January 23, 2032 and at the maturity date.

As of June 30, 2021, available parent company liquidity totaled $4.5 billion. During the second quarter of 2021, PNC used approximately $11.5 billion of parent company cash to acquire BBVA. Parent company liquidity is primarily held in intercompany cash. Investments with longer durations may also be acquired, and 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 and BBVA USA, 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 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 $3.0 billion at June 30, 2021. See Note 20 Regulatory Matters in the Notes To Consolidated Financial Statements in our 2020 Form 10-K for a further discussion of these limitations. Due to the net earnings restrictions on dividend distributions under Alabama law, BBVA USA was not permitted to pay dividends at June 30, 2021 without regulatory approval.

In addition to dividends from PNC Bank or BBVA USA, 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, 2021, there were no commercial paper issuances outstanding.

The parent company has an effective shelf registration statement pursuant of which we can issue debt, equity and other capital instruments. See Note 16 Subsequent Events for information on the August 2021 redemption of $500 million of senior notes by the parent company.

Parent company senior and subordinated debt outstanding totaled $11.3 billion and $10.6 billion at June 30, 2021 and December 31, 2020, 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 2020 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 8 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.

The following table presents credit ratings for PNC, PNC Bank and BBVA USA as of June 30, 2021:

***Table 29: Credit Ratings for PNC, PNC Bank and BBVA USA***

| | June 30, 2021 | | |
|---|---|---|---|
| | 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 |
| **BBVA USA** | | | |
| Senior debt | A2 | A | A+ |
| Subordinated debt | A3 | A- | A |
| Long-term deposits | Aa2 | A | AA- |
| Short-term deposits | P-1 | A-1 | F1+ |
| Short-term notes | P-1 | A-1 | F1 |

### Capital Management

Detailed information on our capital management processes and activities, including additional information on our previous CCAR submissions and capital plans, is included in the Capital Management portion of the Risk Management section in our 2020 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.

On June 24, 2021, the Federal Reserve released the results of its supervisory stress tests conducted as part of the 2021 CCAR process. Based on the results of the Federal Reserve's supervisory stress tests, PNC's SCB for the four-quarter period beginning October 1, 2021, applicable to PNC inclusive of the BBVA acquisition, is 2.5%, which is the regulatory floor and the minimum SCB amount.

We returned capital to shareholders through dividends on common shares of $0.5 billion and refrained from repurchasing shares through the second quarter of 2021 due to the BBVA transaction.

In June 2021, we announced the reinstatement of our share repurchase programs with repurchases of up to $2.9 billion for the four-quarter period beginning in the third quarter of 2021. The timing and amount of executed repurchases will be based on market conditions and other factors including the integration of BBVA. Common share repurchases will be made under the 100 million share repurchase program approved by PNC's Board of Directors in April 2019.

On July 1, 2021, our Board of Directors raised the quarterly cash dividend on common stock to $1.25 per share, an increase of 10 cents per share, or 9%, effective with the August 5, 2021 dividend payment.

***Table 30: Basel III Capital***

| | June 30, 2021 | |
|---|---|---|
| Dollars in millions | Basel III (a) | Fully Implemented (estimated) (b) |
| **Common equity Tier 1 capital** | | |
| Common stock plus related surplus, net of treasury stock | $ 982 | $ 982 |
| Retained earnings | $ 49,793 | $ 48,663 |
| Goodwill, net of associated deferred tax liabilities | $ (10,746) | $ (10,746) |
| Other disallowed intangibles, net of deferred tax liabilities | $ (485) | $ (485) |
| Other adjustments/(deductions) | $ (27) | $ (33) |
| **Common equity Tier 1 capital** | $ 39,517 | $ 38,381 |
| **Additional Tier 1 capital** | | |
| Preferred stock plus related surplus | $ 3,520 | $ 3,520 |
| **Tier 1 capital** | $ 43,037 | $ 41,901 |
| **Additional Tier 2 capital** | | |
| Qualifying subordinated debt | $ 3,878 | $ 3,878 |
| Trust preferred capital securities | $ 20 | |
| Eligible credit reserves includable in Tier 2 capital | $ 4,410 | $ 4,836 |
| **Total Basel III capital** | $ 51,345 | $ 50,615 |
| **Risk-weighted assets** | | |
| Basel III standardized approach risk-weighted assets (c) | $ 389,429 | $ 388,957 |
| **Average quarterly adjusted total assets** | $ 493,037 | $ 491,901 |
| **Supplementary leverage exposure (d)** | $ 586,208 | $ 586,202 |
| **Basel III risk-based capital and leverage ratios (a)(e)** | | |
| Common equity Tier 1 | 10.1 % | 9.9 % |
| Tier 1 | 11.1 % | 10.8 % |
| Total (f) | 13.2 % | 13.0 % |
| Leverage (g) | 8.7 % | 8.5 % |
| Supplementary leverage ratio (d) | 7.3 % | 7.1 % |

(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 phase-ins.
(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) The Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure, which takes into account the quarterly average of both on balance sheet assets as well as certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts.
(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 $20 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.

PNC’s regulatory risk-based capital ratios 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, nonaccruals, TDRs, past due exposures and equity exposures are generally subject to higher risk weights than other types of exposures.

The regulatory agencies have adopted a rule permitting banking organizations 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, excluding the initial allowance for PCD loans from BBVA, compared to CECL ACL at transition. PNC elected to adopt this optional transition provision effective as of June 30, 2020. See additional discussion of this rule in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2020 Form 10-K.

At June 30, 2021, PNC, PNC Bank and BBVA USA were 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 and BBVA USA 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%.

Federal banking regulators have stated that they expect the largest U.S. 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, 2021 capital levels were aligned with them.

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 20 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of our 2020 Form 10-K.

## Market Risk Management

See the Market Risk Management portion of the Risk Management Section in our 2020 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 2021 and 2020 follow:

***Table 31: Interest Sensitivity Analysis***

| | Second Quarter 2021 (a) | Second Quarter 2020 |
|---|---|---|
| **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 | 5.2 % | 3.2 % |
| Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of: | | |
| 100 basis point increase | 13.1 % | 11.2 % |
| **Key Period-End Interest Rates** | | |
| One-month LIBOR | 0.10 % | 0.16 % |
| Three-month LIBOR | 0.15 % | 0.30 % |
| Three-year swap | 0.57 % | 0.23 % |

(a) Results include BBVA USA.

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, including BBVA USA, assuming (i) the PNC Economist's most likely rate forecast, (ii) implied market forward rates and (iii) yield curve slope flattening (a 100 basis point yield curve slope flattening between one-month and ten-year rates superimposed on current base rates) scenario.

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

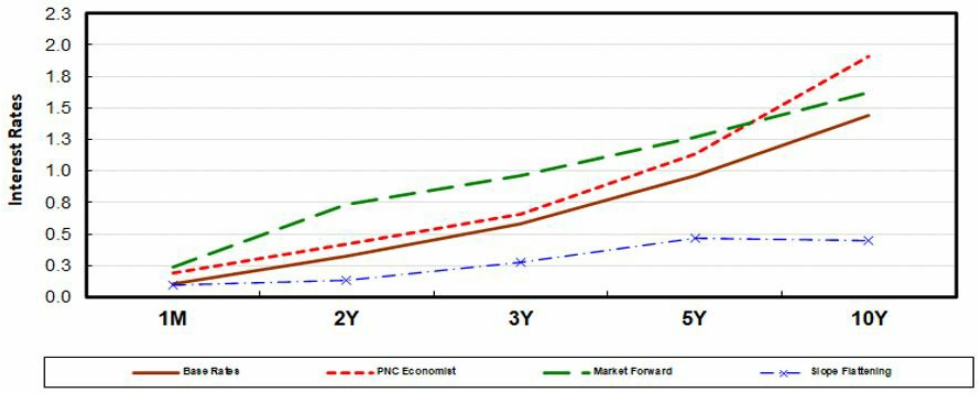
***Table 32: Net Interest Income Sensitivity to Alternative Rate Scenarios***

| | June 30, 2021 | | |
|---|---|---|---|
| | PNC Economist | Market Forward | Slope Flattening |
| First year sensitivity | 1.2 % | 1.2 % | (2.0) % |
| Second year sensitivity | 4.2 % | 5.3 % | (6.6) % |

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 2021 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.

As discussed in Item 1A Risk Factors in our 2020 Form 10-K, the planned discontinuance of the requirement that banks submit rates for the calculation of LIBOR after 2023 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, like other financial participants, to financial, legal, operational, and reputational risks.

In order to address LIBOR cessation and the associated 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 also established an enterprise-level program, which is actively monitoring PNC’s overall firm-wide exposure to LIBOR and using these results to plan transitional strategies and track progress versus these goals. Program workstreams were formed by Line of Business to ensure accountability and alignment with the appropriate operational, technology, and customer-facing stakeholders, while establishing a centralized Program Management Office to ensure consistency in execution and communication. Project plans and established milestones have been developed and have continued to evolve and be refined in line with industry developments and internal decisions and progress. PNC is also involved in industry discussions, preparing milestones for readiness and assessing progress against those milestones, along with developing and delivering on internal and external LIBOR cessation communication plans.

Key efforts in 2020 and the first six months of 2021 included:

- 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 PNC's infrastructure, including systems, models, valuation tools and processes,
- Developing and delivering on internal and external LIBOR cessation communication plans,
- Engaging with PNC clients, industry working groups and regulators, and
- Monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments.

PNC also has been an active participant in efforts with the Federal Reserve and other regulatory agencies to explore the potential need for a credit-sensitive rate or add-on to SOFR for use in commercial loans. Those efforts led to the formation of the Credit Sensitivity Group, which has held a series of workshops to assess how a credit-sensitive rate or add-on to SOFR might be constructed and discuss associated implementation issues.

In late 2020, PNC began offering conforming adjustable rate mortgages using SOFR instead of USD LIBOR in line with Fannie Mae and Freddie Mac requirements. In the second quarter of 2021, PNC began offering nonconforming adjustable rate mortgages using SOFR and private student loans using Prime. Plans are in place to begin offering alternative rates to our corporate and commercial customers in the third quarter of 2021. PNC has provided regular updates to Federal Reserve, OCC and Federal Deposit Insurance Corporation examination staff regarding its LIBOR cessation and transition plans.

**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 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. VaR is calculated for each of the portfolios that comprise our customer related trading activities of which the majority are covered positions as defined by the Market Risk Rule. VaR is computed with positions and market risk factors updated daily to ensure each portfolio is operating within its acceptable limits.

See the Market Risk Management – Customer-Related Trading Risk section of our 2020 Form 10-K for more information on our models used to calculate VaR and our backtesting process.

Customer related trading revenue was $179 million for the six months ended June 30, 2021, of which $5.2 million was from BBVA, compared to $185 million for the same period in 2020. The decrease was primarily due to lower interest rate derivative client sales revenues partially offset by changes in the credit valuation for customer-related derivatives activities. For the quarterly period, customer related trading revenue was $68 million for the second quarter of 2021 compared to $114 million in 2020. The decrease was primarily due to lower customer-related trading revenues.

**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 2021 (a) | December 31 2020 | Change $ | Change % |
|---|---|---|---|---|
| Tax credit investments | $ 3,699 | $ 2,870 | $ 829 | 29 % |
| Private equity and other | 3,822 | 3,182 | 640 | 20 % |
| Total | $ 7,521 | $ 6,052 | $ 1,469 | 24 % |

(a) Includes $0.7 billion of investments from BBVA, of which $0.6 billion are tax credit investments and $0.1 billion are private equity and other.

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 $1.8 billion and $1.4 billion at June 30, 2021 and December 31, 2020. These unfunded commitments are included in Other liabilities on our Consolidated Balance Sheet.

Note 5 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in our 2020 Form 10-K has further information on Tax Credit Investments.

Private Equity and Other
The largest component of our other equity investments is 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 $1.7 billion and $1.5 billion at June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021, $1.5 billion was invested directly in a variety of companies and $0.2 billion was invested indirectly through various private equity funds. See the Supervision and Regulation section in Item 1 of our 2020 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, 2021 per share closing price of $233.82 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately $1.3 billion at the current conversion rate of Visa B shares to Visa A shares, while our cost basis was not significant. See Note 15 Fair Value and Note 21 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of our 2020 Form 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 $42 million for the six months ended June 30, 2021 and were not significant for the six months ended June 30, 2020.

**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 15 Fair Value and Note 16 Financial Derivatives in our Notes To Consolidated Financial Statements in our 2020 Form 10-K and in Note 11 Fair Value and Note 12 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 1 of 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

BBVA Acquisition
On June 1, 2021, and following regulatory approval from the Federal Reserve and the OCC, PNC acquired BBVA, a BHC registered under the BHC Act and a financial holding company under the GLB Act, and its U.S. state member bank subsidiary, BBVA USA, headquartered in Birmingham, Alabama. The regulatory approval process also included approvals from the banking departments of the states of Alabama and Texas. BBVA USA is primarily regulated by the Federal Reserve and the Alabama State Banking Department. BBVA USA, like PNC Bank, is also subject to regulation by the FDIC, which insures certain deposits of BBVA USA, and the CFPB, among other regulatory agencies.

PNC also acquired certain nonbanking subsidiaries of BBVA that are subject to regulation by various federal and state bodies, including state regulators of money transfer and insurance entities. This includes BBVA Transfer Holdings, Inc. (now known as PNC Payment Holdings, Inc.), a company engaged in money transfer services and related activities, including money transmission and foreign exchange services, through its two subsidiaries, BBVA Transfer Services, Inc. (now known as PNC Global Transfers, Inc.) and BBVA Foreign Exchange, Inc. (now known as PNC Global Transfers FX, Inc.). PNC also acquired BBVA USA's subsidiaries, including BBVA Wealth Solutions, Inc. (now known as PNC Managed Account Solutions, Inc.), an SEC-registered investment adviser, and BBVA Insurance Agency, Inc. (now known as PNC Insurance Agency, Inc.), a state-regulated insurance agency. PNC also expects its broker-dealer subsidiary PNC Investments to assume responsibility for approximately 100,000 retail brokerage accounts of the U.S. broker-dealer subsidiary of BBVA S.A., BBVA Securities, Inc.

Shortly after the acquisition, PNC merged BBVA into PNC, and PNC contributed all of the shares of BBVA USA to PNC Bancorp, Inc, a wholly-owned subsidiary of PNC. As a result, BBVA USA is now a subsidiary of PNC Bancorp, Inc. and an affiliate of PNC Bank. PNC expects to merge BBVA USA into PNC Bank in October 2021. In addition, PNC Payment Holdings, Inc., and its two subsidiaries are now nonbank subsidiaries of PNC and affiliates of PNC Bank and BBVA USA.

Capital, Capital Planning and Liquidity
BBVA USA has been incorporated into PNC's consolidated capital and liquidity metrics and reporting, capital planning, stress testing, and other regulatory requirements. Additionally, as a result of the acquisition of BBVA USA by PNC, a Category III banking organization under the Federal Reserve's Enhanced Prudential Standards, BBVA USA is now a Category III bank. Subject to certain

transition provisions and any relief granted by the Federal Reserve, we expect BBVA USA to be merged with PNC Bank prior to the LCR or NSFR becoming effective for BBVA USA.

In June 2021, the Federal Reserve announced the results of its supervisory stress tests for 2021. 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. PNC remained well above its risk-based minimum capital requirements in the supervisory stress tests, and as a result, will no longer be subject to the Federal Reserve's temporary restrictions on BHC dividends and share repurchases that it put in place last year as a result of ongoing uncertainty from COVID-19.

Other Developments

In June 2021, the FDIC released a statement outlining its modified approach to implementing its rule requiring insured depository institutions like PNC Bank and BBVA USA to submit resolution plans. These resolution plans must describe, among other things, how the banks could be resolved in an orderly and timely manner in the event of receivership, and the failure to submit a credible plan could result in regulatory actions or restrictions. The modified approach extends the frequency of insured depository institution resolution plans to a three-year cycle, streamlines the content requirements, and places greater emphasis on continued engagement with firms. PNC Bank and BBVA USA expect to receive additional information from the FDIC detailing certain plan contents and the due date for their next filings. PNC does not expect BBVA USA to have to file a resolution plan before BBVA USA is merged into PNC Bank.

On July 31, 2021, the federal foreclosure moratorium imposed by various federal agencies in response to the COVID-19 pandemic expired. However, on July 30, 2021, the Federal Housing Finance Agency and the Federal Housing Administration extended their eviction moratoria through September 30, 2021. On August 3, 2021, the Centers for Disease Control and Prevention issued a revised eviction moratorium applying to U.S. counties experiencing substantial and high levels of community transmission of COVID-19 through October 3, 2021. Around the same time, the CFPB finalized a set of Regulation X changes to provide foreclosure protections to borrowers as the emergency federal foreclosure protections expire. The CFPB's final rule generally bars mortgage servicers like PNC Bank and BBVA USA from filing new foreclosure filings until December 31, 2021, unless certain procedural safeguards are met or an exception applies; permits mortgage servicers to offer streamlined loan modification options to borrowers with COVID-19-related hardships based on the evaluation of an incomplete application; and makes temporary changes to certain required servicer communications that borrowers receive regarding their options. The final rule is effective August 31, 2021.

In July 2021, the OCC announced it plans to rescind its June 2020 rule that significantly altered the regulations implementing the CRA for national banks like PNC Bank. The OCC also does not plan to finalize its December 4, 2020 proposed rule regarding performance metrics under the June 2020 rule.

## Critical Accounting Estimates and Judgments

Note 1 Accounting Policies in our 2020 Form 10-K describes the most significant accounting policies that we use to prepare our consolidated financial statements. Certain of these policies require us to make estimates or economic assumptions that may vary under different assumptions or conditions, and such variations may significantly affect our reported results and financial position for the period or in future periods. The policies and judgments related to residential and commercial MSRs and fair value measurements are described in Critical Accounting Estimates and Judgments in Item 7 of our 2020 Form 10-K. For additional information on fair value measurements of assets and liabilities assumed in the BBVA acquisition, see Note 2 Acquisition and Divestiture Activity in the Notes To Consolidated Financial Statements included in this Report. The following details the critical estimates and judgments around the ACL.

**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, equipment finance leases (including residual values), other financial assets and unfunded lending related commitments, for the remaining contractual term of the assets or exposures, taking into consideration expected prepayments. Our determination of the ACL is based on historical loss experience, current 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 limitations. 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 economic conditions and portfolio quality as of the estimation date. As current economic conditions evolve, forecasted losses could be materially affected.

- Scenario weights and design: Our loss estimates are sensitive to the shape, direction and rate of change 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 Note 1 Accounting Policies in our 2020 Form 10-K.

**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 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. Credit losses estimated in our reasonable and supportable forecast period 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 reasonable and supportable forecast period. Each scenario is then given an associated probability (weight) in order to represent our current expectation within that distribution over the forecast period. This process is informed by current economic conditions, expected business cycle evolution and the expert judgment of PNC's 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 RAC and the committee determines and approves CECL scenarios' weights for use for the current reporting period.

The scenarios used for the period ended June 30, 2021 were designed to reflect an improved near-term economic outlook in comparison to the scenarios used for the period ended December 31, 2020. This improvement was driven largely by improvements in both the outlook for consumer spending and the labor market due to the passage of the American Rescue Plan Act of 2021 and continued vaccine distribution. We used a number of economic variables in our scenarios, with the most significant drivers being Real GDP and unemployment rate measures. Using the weighted-average of our four economic forecast scenarios, we estimated that:

- Real GDP grows 6.1% in 2021, ending the year 3.6% above pre-recession levels. Annual growth continues but slows to 2.9% and 2.2% in 2022 and 2023, respectively.
- Unemployment rates reflect continued recovery in the labor market in 2021, with the unemployment rate falling to 5.6% by the end of the year. Employment gains were estimated to continue through the forecast period with the unemployment rate reaching 4.7% and 4.1% by the end of 2022 and 2023, respectively.

One of the scenarios included in our weighted-average is our baseline prediction of the most likely economic outcome. This scenario includes estimated Real GDP ending 2021 4.2% above its pre-recession peak levels, with annual growth slowing to 2.9% and 2.0% in 2022 and 2023, respectively, with unemployment rates expected to reach 5.0% by the end of 2021, 4.2% by the end of 2022 and 3.8% by the end of 2023. See our Business Outlook and the Cautionary Statement Regarding Forward-Looking Information in this Financial Review for additional discussion on our baseline prediction of the most likely economic outcome.

The economy has seen significant recovery from the onset of the pandemic. National macroeconomic indicators, forecasts and performance expectations have all improved, helping to lower overall loss expectations. These improvements have been reflected in the reserve releases through the first half of 2021. However, for certain portions of our commercial and consumer portfolios considerable uncertainty remains regarding lifetime losses. For commercial borrowers, there are still lingering concerns around industries that have been affected by COVID-19 related restrictions and emerging secular changes. For these industries, where unrestricted commerce has recently returned, the recovery will lag the broader economy. Where restrictions persist and/or secular changes have emerged, the impact and eventual level of recovery are less certain. For consumer borrowers, payment behavior once the government stimulus wanes is still difficult to predict. As such, for both our commercial and consumer loan portfolios, PNC identified and performed significant analysis around these segments to ensure our reserves are adequate in the current economic environment. We believe the economic scenarios have effectively provided sufficient variation to capture probable recovery paths. Additionally, through in depth and granular analysis of COVID-19 related impacts, we have adequately addressed reserve requirements for specific populations most affected in the current environment. Through this approach we believe the reserve levels sufficiently reflect the expectation for life of loan losses of the current portfolio.

To provide additional context regarding the sensitivity of the ACL to a more pessimistic forecast of expected economic outcomes, we considered what the ACL for the legacy PNC portfolio would be when applying a 100% probability weighting to the most severely adverse of the four scenarios used in PNC's CECL framework. This severely adverse scenario estimated Real GDP growing 1.6% and ending 2021 down 0.8% compared to pre-recession peak levels, with year over year growth continuing through 2023, with the unemployment rate increasing to end 2021 at 9.0% with the labor market showing improvement again beginning in 2022. Excluding consideration of qualitative adjustments, this sensitivity analysis would result in a hypothetical increase in our ACL of $2.2 billion at June 30, 2021. This scenario was not our expectation at June 30, 2021 and does not reflect our current expectation, nor does it capture all the potential unknown variables that could arise, but it provides an approximation of a possible outcome under hypothetical severe conditions. The CECL methodology inherently requires a high degree of judgment, and 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:

- Allowance For Credit Losses in the Credit Risk Management section of this Financial Review, and
- 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 2020 Form 10-K and in Note 5 Loan Sale and Servicing Activities and Variable Interest Entities and Note 8 Commitments in the Notes To Consolidated Financial Statements included in this Report.

A summary and further description of VIEs is included in Note 1 Accounting Policies and Note 5 Loan Sale and Servicing Activities and Variable Interest Entities in our 2020 Form 10-K.

### Trust Preferred Securities

See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in our 2020 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, 2021, 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, 2021, and that there has been no change in PNC’s internal control over financial reporting that occurred during the second quarter of 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As permitted by SEC guidance that an assessment of internal controls over financial reporting of a recently acquired business may be excluded from management's evaluation of disclosure controls and procedures for up to a year from the date of acquisition, we have excluded BBVA from management's reporting on internal control over financial reporting for the quarter ended June 30, 2021. We will continue to evaluate the effectiveness of internal controls over financial reporting as we complete the integration of BBVA, including BBVA USA, with that of PNC and PNC Bank and will make changes to our internal control framework, as necessary. The acquisition of BBVA contributed $95.7 of assets, or 17% of our total assets, at June 30, 2021 and $306 million of revenue, or 7% of our total revenue, for the three months ended June 30, 2021 and 3% of our total revenue for the six months ended June 30, 2021.

## Cautionary Statement Regarding Forward-Looking Information

We make statements in this Report, and we may from time to time make other statements, regarding our outlook for earnings, revenues, expenses, tax rates, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting us and our future business and operations that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as "believe," "plan," "expect," "anticipate," "see," "look," "intend," "outlook," "project," "forecast," "estimate," "goal," "will," "should" and other similar words and expressions.

Forward-looking statements are 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 any obligation 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:
  - 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, market interest rates and inflation,
  - 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 the economic impacts of the COVID-19 pandemic,
  - The impact of the results of the recent U.S. elections on the regulatory landscape, capital markets, and the response to and management of the COVID-19 pandemic, including the effectiveness of already-enacted fiscal stimulus from the federal government, a potential infrastructure bill and changes in tax laws, and
  - 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:
  - The U.S. economy is in an economic recovery, following a very severe but very short economic contraction in the first half of 2020 due to the COVID-19 pandemic and public health measures to contain it.
  - With passage of the American Rescue Plan Act of 2021 and continued vaccine distribution, economic growth has picked up in 2021 and will remain very strong through the rest of this year and into 2022. Real GDP returned to its pre-pandemic level in the second quarter of 2021. Employment in June 2021 was still down by 6.8 million from before the pandemic; PNC expects employment to return to its pre-pandemic level in the spring of 2022.
  - Compared to the spring of 2020 (when prices were falling), inflation has accelerated in mid-2021 due to strong demand in specific segments and supply chain disruptions. Inflation will slow in the second half of 2021.
  - PNC expects the FOMC to keep the fed funds rate in its current range of 0.00% to 0.25 % until mid-2023.
- PNC's ability to take certain capital actions, including returning capital to shareholders, 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 CCAR process.
- 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.
- Our acquisition of BBVA presents us with risks and uncertainties related to the integration of the acquired business into PNC including:
  - The business of BBVA, including its U.S. banking subsidiary, BBVA USA, going forward may not perform as we currently project or in a manner consistent with historical performance. As a result, the anticipated benefits, including estimated cost savings, of the transaction may be significantly more difficult or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events, including those that are outside of our control.
  - The integration of BBVA, including its U.S. banking subsidiary, BBVA USA, with that of PNC and PNC Bank may be more difficult to achieve than anticipated or have unanticipated adverse results relating to BBVA, including its U.S. banking subsidiary, BBVA USA, or our existing businesses. Our ability to integrate BBVA, including its U.S. banking subsidiary, BBVA USA, successfully may be adversely affected by the fact that this transaction results in us entering several geographic markets where we did not previously have any meaningful presence.
- In addition to the BBVA transaction, 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 2020 Form 10-K and first quarter 2021 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. 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<br>In millions, except per share data | Three months ended June 30 2021 | Three months ended June 30 2020 | Six months ended June 30 2021 | Six months ended June 30 2020 |
|---|---|---|---|---|
| **Interest Income** | | | | |
| Loans | $ 2,160 | $ 2,257 | $ 4,156 | $ 4,737 |
| Investment securities | 469 | 527 | 890 | 1,109 |
| Other | 72 | 71 | 138 | 209 |
| Total interest income | 2,701 | 2,855 | 5,184 | 6,055 |
| **Interest Expense** | | | | |
| Deposits | 30 | 141 | 70 | 516 |
| Borrowed funds | 90 | 187 | 185 | 501 |
| Total interest expense | 120 | 328 | 255 | 1,017 |
| Net interest income | 2,581 | 2,527 | 4,929 | 5,038 |
| **Noninterest Income** | | | | |
| Asset management | 239 | 199 | 465 | 400 |
| Consumer services | 457 | 330 | 841 | 707 |
| Corporate services | 688 | 512 | 1,243 | 1,038 |
| Residential mortgage | 103 | 158 | 208 | 368 |
| Service charges on deposits | 131 | 79 | 250 | 247 |
| Other | 468 | 271 | 951 | 614 |
| Total noninterest income | 2,086 | 1,549 | 3,958 | 3,374 |
| Total revenue | 4,667 | 4,076 | 8,887 | 8,412 |
| **Provision For (Recapture of) Credit Losses** | 302 | 2,463 | (249) | 3,377 |
| **Noninterest Expense** | | | | |
| Personnel | 1,640 | 1,373 | 3,117 | 2,742 |
| Occupancy | 217 | 199 | 432 | 406 |
| Equipment | 326 | 301 | 619 | 588 |
| Marketing | 74 | 47 | 119 | 105 |
| Other | 793 | 595 | 1,337 | 1,217 |
| Total noninterest expense | 3,050 | 2,515 | 5,624 | 5,058 |
| Income (loss) from continuing operations before income taxes and noncontrolling interests | 1,315 | (902) | 3,512 | (23) |
| Income taxes (benefit) from continuing operations | 212 | (158) | 583 | (38) |
| Net income (loss) from continuing operations | 1,103 | (744) | 2,929 | 15 |
| Income from discontinued operations before taxes | | 5,596 | | 5,777 |
| Income taxes from discontinued operations | | 1,197 | | 1,222 |
| Net income from discontinued operations | | 4,399 | | 4,555 |
| Net income | 1,103 | 3,655 | 2,929 | 4,570 |
| Less: Net income attributable to noncontrolling interests | 12 | 7 | 22 | 14 |
| Preferred stock dividends | 48 | 55 | 105 | 118 |
| Preferred stock discount accretion and redemptions | 1 | 1 | 2 | 2 |
| Net income attributable to common shareholders | $ 1,042 | $ 3,592 | $ 2,800 | $ 4,436 |
| **Earnings Per Common Share** | | | | |
| Basic earnings (loss) from continuing operations | $ 2.43 | $ (1.90) | $ 6.54 | $ (0.29) |
| Basic earnings from discontinued operations | | 10.28 | | 10.60 |
| Total basic earnings | $ 2.43 | $ 8.40 | $ 6.54 | $ 10.33 |
| Diluted earnings (loss) from continuing operations | $ 2.43 | $ (1.90) | $ 6.53 | $ (0.29) |
| Diluted earnings from discontinued operations | | 10.28 | | 10.59 |
| Total diluted earnings | $ 2.43 | $ 8.40 | $ 6.53 | $ 10.32 |
| **Average Common Shares Outstanding** | | | | |
| Basic | 427 | 426 | 426 | 428 |
| Diluted | 427 | 426 | 427 | 428 |

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE PNC FINANCIAL SERVICES GROUP, INC.

| Unaudited<br>In millions | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Net income (loss) from continuing operations** | $ 1,103 | $ (744) | $ 2,929 | $ 15 |
| **Other comprehensive income (loss), before tax and net of reclassifications into Net income** | | | | |
| Net change in debt securities | 46 | 538 | (1,148) | 2,018 |
| Net change in cash flow hedge derivatives | 222 | 12 | (553) | 797 |
| Pension and other postretirement benefit plan adjustments | (43) | (17) | (13) | (5) |
| Net change in Other | | 2 | 1 | 10 |
| **Other comprehensive income (loss) from continuing operations, before tax and net of reclassifications into Net income** | 225 | 535 | (1,713) | 2,820 |
| Income tax benefit (expense) from continuing operations related to items of other comprehensive income | (52) | (125) | 406 | (665) |
| **Other comprehensive income (loss) from continuing operations, after tax and net of reclassifications into Net income** | 173 | 410 | (1,307) | 2,155 |
| **Net income from discontinued operations** | | 4,399 | | 4,555 |
| **Other comprehensive income from discontinued operations, before tax and net of reclassifications into Net income** | | 182 | | 148 |
| Income tax benefit (expense) from discontinued operations related to items of other comprehensive income | | (41) | | (33) |
| **Other comprehensive income from discontinued operations, after tax and net of reclassifications into Net income** | | 141 | | 115 |
| **Other comprehensive income (loss), after tax and net of reclassifications into Net income** | 173 | 551 | (1,307) | 2,270 |
| **Comprehensive income** | 1,276 | 4,206 | 1,622 | 6,840 |
| Less: Comprehensive income attributable to noncontrolling interests | 12 | 7 | 22 | 14 |
| **Comprehensive income attributable to PNC** | $ 1,264 | $ 4,199 | $ 1,600 | $ 6,826 |

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

| Unaudited<br>In millions, except par value | June 30 2021 | December 31 2020 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 8,724 | $ 7,017 |
| Interest-earning deposits with banks | 72,447 | 85,173 |
| Loans held for sale (a) | 2,227 | 1,597 |
| Investment securities – available for sale | 125,058 | 87,358 |
| Investment securities – held to maturity | 1,485 | 1,441 |
| Loans (a) | 294,704 | 241,928 |
| Allowance for loan and lease losses | (5,730) | (5,361) |
| Net loans | 288,974 | 236,567 |
| Equity investments | 7,521 | 6,052 |
| Mortgage servicing rights | 1,793 | 1,242 |
| Goodwill | 10,958 | 9,233 |
| Other (a) | 35,025 | 30,999 |
| Total assets | $ 554,212 | $ 466,679 |
| **Liabilities** | | |
| Deposits | | |
| Noninterest-bearing | $ 154,190 | $ 112,637 |
| Interest-bearing | 298,693 | 252,708 |
| Total deposits | 452,883 | 365,345 |
| Borrowed funds | | |
| Federal Home Loan Bank borrowings | | 3,500 |
| Bank notes and senior debt | 24,408 | 24,271 |
| Subordinated debt | 7,120 | 6,403 |
| Other (b) | 3,285 | 3,021 |
| Total borrowed funds | 34,813 | 37,195 |
| Allowance for unfunded lending related commitments | 645 | 584 |
| Accrued expenses and other liabilities | 11,186 | 9,514 |
| Total liabilities | 499,527 | 412,638 |
| **Equity** | | |
| Preferred stock (c) | | |
| Common stock ($5 par value, Authorized 800 shares, issued 543 shares) | 2,713 | 2,713 |
| Capital surplus | 15,928 | 15,884 |
| Retained earnings | 48,663 | 46,848 |
| Accumulated other comprehensive income | 1,463 | 2,770 |
| Common stock held in treasury at cost: 118 and 119 shares | (14,140) | (14,205) |
| Total shareholders' equity | 54,627 | 54,010 |
| Noncontrolling interests | 58 | 31 |
| Total equity | 54,685 | 54,041 |
| Total liabilities and equity | $ 554,212 | $ 466,679 |

(a) Our consolidated assets included the following for which we have elected the fair value option: Loans held for sale of $ 2.0 billion, Loans held for investment of $ 1.7 billion and Other assets of $ 0.1 billion at June 30, 2021. Comparable amounts at December 31, 2020 were $1.2 billion, $ 1.4 billion and $0.1 billion, respectively.

(b) Our consolidated liabilities included Other borrowed funds of less than $ 0.1 billion at both June 30, 2021 and December 31, 2020, for which we have elected the fair value option.

(c) Par value less than $ 0.5 million at each date.

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

| Unaudited<br>In millions | Six months ended June 30<br>2021 | 2020 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 2,929 | $ 4,570 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities | | |
| Provision for (recapture of) credit losses | (249) | 3,377 |
| Depreciation and amortization | 794 | 712 |
| Deferred income taxes | 165 | (2,501) |
| Net gains on sales of securities | (35) | (222) |
| Changes in fair value of mortgage servicing rights | (47) | 728 |
| Gain on sale of BlackRock | | (5,740) |
| Undistributed earnings of BlackRock | | (174) |
| Net change in | | |
| Trading securities and other short-term investments | 776 | (266) |
| Loans held for sale | (439) | (170) |
| Other assets | (784) | (1,675) |
| Accrued expenses and other liabilities | (782) | 3,161 |
| Other | (133) | 531 |
| Net cash provided (used) by operating activities | $ 2,195 | $ 2,331 |
| **Investing Activities** | | |
| Sales | | |
| Securities available for sale | $ 7,495 | $ 12,055 |
| Net proceeds from sale of BlackRock | | 14,225 |
| Loans | 1,011 | 597 |
| Repayments/maturities | | |
| Securities available for sale | 15,970 | 10,110 |
| Securities held to maturity | 46 | 38 |
| Purchases | | |
| Securities available for sale | (44,380) | (31,593) |
| Securities held to maturity | (75) | (44) |
| Loans | (1,291) | (173) |
| Net change in | | |
| Federal funds sold and resale agreements | (75) | 460 |
| Interest-earning deposits with banks | 26,039 | (26,820) |
| Loans | 9,739 | (19,886) |
| Net cash paid for acquisition (a) | (10,511) | |
| Other | (1,018) | (206) |
| Net cash provided (used) by investing activities | $ 2,950 | $ (41,237) |

(continued on following page)

## CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

(continued from previous page)

| Unaudited<br>In millions | Six Months Ended June 30<br>2021 | 2020 |
|---|---|---|
| **Financing Activities** | | |
| Net change in | | |
| Noninterest-bearing deposits | $ 5,771 | $ 26,673 |
| Interest-bearing deposits | (3,730) | 30,778 |
| Federal funds purchased and repurchase agreements | 75 | (5,888) |
| Short-term Federal Home Loan Bank borrowings | | (6,300) |
| Other borrowed funds | 94 | 1,486 |
| Sales/issuances | | |
| Federal Home Loan Bank borrowings | | 9,060 |
| Bank notes and senior debt | 996 | 3,487 |
| Other borrowed funds | 353 | 304 |
| Common and treasury stock | 36 | 34 |
| Repayments/maturities | | |
| Federal Home Loan Bank borrowings | (3,680) | (10,601) |
| Bank notes and senior debt | (1,850) | (5,897) |
| Other borrowed funds | (346) | (318) |
| Acquisition of treasury stock | (67) | (1,523) |
| Preferred stock cash dividends paid | (105) | (118) |
| Common stock cash dividends paid | (985) | (994) |
| Net cash provided (used) by financing activities | $ (3,438) | $ 40,183 |
| **Net Increase (Decrease) In Cash And Due From Banks And Restricted Cash** | $ 1,707 | $ 1,277 |
| **Net cash provided by discontinued operations** | | 14,299 |
| **Net cash provided (used) by continuing operations** | 1,707 | (13,022) |
| Cash and due from banks and restricted cash at beginning of period | 7,017 | 5,061 |
| Cash and due from banks and restricted cash at end of period | $ 8,724 | $ 6,338 |
| **Cash and due from banks and restricted cash** | | |
| Cash and due from banks at end of period (unrestricted cash) | $ 8,128 | $ 5,977 |
| Restricted cash | 596 | 361 |
| Cash and due from banks and restricted cash at end of period | $ 8,724 | $ 6,338 |
| **Supplemental Disclosures** | | |
| Interest paid | $ 336 | $ 913 |
| Income taxes paid | $ 384 | $ 528 |
| Income taxes refunded | $ 65 | $ 9 |
| Leased assets obtained in exchange for new operating lease liabilities | $ 248 | $ 59 |
| **Non-cash Investing and Financing Items** | | |
| Transfer from loans to loans held for sale, net | $ 489 | $ 542 |
| Transfer from trading securities to investment securities | | $ 289 |
| Transfer from loans to foreclosed assets | $ 15 | $ 43 |

(a) Cash paid to acquire BBVA was $ 11,480 million. The amount of $ 10,511 million represents the cash paid for the acquisition less $ 969 million in cash acquired. See Note 2 Acquisition & Divestiture Activity for more detailed information on the BBVA acquisition.

See accompanying Notes To Consolidated Financial Statements.

*See page 102 for a glossary of certain terms and acronyms used in this Report.*

## BUSINESS

PNC is one of the largest diversified financial services companies in the 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, Southeast and Southwest. 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 VIEs.

On June 1, 2021, we acquired BBVA, a U.S. financial holding company conducting its business operations primarily through its U.S. banking subsidiary, BBVA USA.Our results for the three and six months ended June 30, 2021 reflect BBVA's business operations for the month of June 2021 and our balance sheet at June 30, 2021 includes BBVA's balances. See Note 2 Acquisition and Divestiture Activity for additional information on this acquisition.

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

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

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

When preparing these unaudited interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2020 Form 10-K. Reference is made to Note 1 Accounting Policies in our 2020 Form 10-K for a detailed description of significant accounting policies. These interim consolidated financial statements serve to update our 2020 Form 10-K and may not include all information and Notes necessary to constitute a complete set of financial statements. There have been no significant changes to our accounting policies as disclosed in our 2020 Form 10-K.

**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 the ACL and our fair value measurements, including for the BBVA acquisition. Actual results may differ from the estimates and the differences may be material to the consolidated financial statements.

## Recently Adopted Accounting Standards

| Accounting Standards Update | Description | Financial Statement Impact |
|---|---|---|
| **Income Tax Simplification - ASU 2019-12**<br><br>Issued December 2019 | • Simplifies the accounting for income taxes by eliminating certain exceptions in ASC 740, *Income Taxes*, relating to the approach for intraperiod tax allocation, the recognition of deferred tax liabilities for outside basis differences and the methodology for calculating income taxes in an interim period.<br>• Clarifies areas of the income tax guidance around franchise taxes partially based on income, step-ups in the tax basis of goodwill, and enacted changes in tax laws.<br>• Specifies that an entity is no longer required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. | • Adopted January 1, 2021.<br>• The adoption of this standard did not impact our consolidated results of operations or our consolidated financial position. PNC will no longer allocate the consolidated amount of current and deferred income tax expense to certain qualifying stand-alone entities, which will impact the presentation of parent company tax expense subsequent to adoption. |

| Accounting Standards Update | Description | Financial Statement Impact |
|---|---|---|
| **Reference Rate Reform - ASU 2020-04**<br><br>Issued March 2020<br><br>**Reference Rate Reform Scope - ASU 2021-01**<br><br>Issued January 2021 | • 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 (codified in ASC 848).<br>• 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.<br>• 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.<br>• Includes optional expedients and exceptions for contract modifications and hedge accounting that apply to derivative instruments impacted by the market-wide discounting transition.<br>• 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.<br>• Guidance in these ASUs are effective as of March 12, 2020 through December 31, 2022. | • ASU 2020-04 was adopted March 12, 2020. ASU 2021-01 was retrospectively adopted October 1, 2020.<br>• Refer to Note 1 Accounting Policies in the 2020 Form 10-K for more information on elections of optional expedients that occurred in 2020.<br>• During the first quarter of 2021, we elected to apply certain optional expedients to derivative instruments that were modified in the first quarter due to the adoption of fallback language recommended by the ISDA to address the anticipated cessation of LIBOR. These optional expedients remove the requirement to remeasure contract modifications or dedesignate hedging relationships due to reference rate reform.<br>• As of June 30, 2021, we have not yet elected to apply any optional expedients for contract modifications and hedging relationships to any other financial instruments. However, we plan to elect these optional expedients in the future. |

| Accounting Standards Update | Description | Financial Statement Impact |
|---|---|---|
| **SEC Paragraph Amendments – ASU 2020-09**<br><br>Issued October 2020 | • Amends the financial disclosure requirements for guarantors and issuers of guaranteed securities registered or being registered, and issuers' affiliates whose securities collateralize securities registered or being registered in Regulation S-X.<br>• Improves disclosure requirements for both investors and registrants.<br>• Provides investors with material information given the specific facts and circumstances, making the disclosures easier to understand and reducing the costs and burdens to registrants. | • Adopted January 4, 2021.<br>• In accordance with the requirements of this ASU, we included Exhibit 22 in the Exhibit Index of Item 6 of this Report to disclose PNC's guarantee of the PNC Capital Trust C preferred securities. |

## NOTE 2 ACQUISITION AND DIVESTITURE ACTIVITY

**Acquisition of BBVA USA Bancshares, Inc.**

On June 1, 2021, PNC acquired BBVA including its U.S. banking subsidiary, BBVA USA, for $11.5 billion in cash. PNC did not acquire the following entities as part of the acquisition: BBVA Securities, Inc., Propel Venture Partners Fund I, L.P. and BBVA Processing Services, Inc. This transaction has been accounted for as a business combination. Accordingly, the assets and liabilities from BBVA were recorded at fair value as of the acquisition date. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. Fair value estimates related to the assets and liabilities from BBVA are subject to adjustment for up to one year after the closing date of the acquisition as additional information becomes available. Valuations subject to adjustment include, but are not limited to, loans, certain deposits, certain other assets, customer relationships and the core deposit intangibles.

PNC incurred $111 million and $117 million in costs for the three and six months ended June 30, 2021, in connection with the transaction. These expenses are primarily comprised of legal, advisory and technology related costs. Cumulative nonrecurring merger and integration costs through June 30, 2021 were $124 million.

The following table includes the preliminary fair value of the identifiable tangible and intangible assets and liabilities from BBVA:

***Table 35: Acquisition Consideration***

| In millions | June 1, 2021 Fair Value |
|---|---|
| Fair value of acquisition consideration | $ 11,480 |
| **Assets** | |
| Cash and due from banks | $ 969 |
| Interest-earning deposits with banks | 13,313 |
| Loans held for sale | 446 |
| Investment securities – available for sale | 18,358 |
| Net loans | 61,370 |
| Equity investments | 723 |
| Mortgage servicing rights | 35 |
| Core deposit intangibles and other intangible assets | 399 |
| Other | 3,531 |
| Total assets | $ 99,144 |
| **Liabilities** | |
| Deposits | $ 85,562 |
| Borrowed funds | 2,449 |
| Accrued expenses and other liabilities | 1,271 |
| Total liabilities | $ 89,282 |
| Noncontrolling interests | 22 |
| Less: Net assets | $ 9,840 |
| Goodwill | $ 1,640 |

Preliminary goodwill of $1.6 billion recorded in connection with the transaction resulted from the reputation, operating model and expertise of BBVA. The amount of goodwill recorded reflects the increased market share and related synergies that are expected to result from the acquisition, and represents the excess purchase price over the estimated fair value of the net assets from BBVA. The goodwill was allocated to each of our three business segments on a preliminary basis and is not deductible for income tax purposes. See Note 6 Goodwill and Mortgage Servicing Rights for additional information on the allocation of goodwill to the segments.

The following table includes the fair value and unpaid principal balance of the loans from the BBVA acquisition:

***Table 36: Fair Value and Unpaid Principal Balance of Loans from the BBVA Acquisition***

| | June 1, 2021 | |
|---|---|---|
| In millions | Unpaid Principal Balance | Fair Value |
| **Loans** | | |
| Commercial | | |
| Commercial and industrial | $ 29,864 | $ 29,372 |
| Commercial real estate | 10,632 | 10,250 |
| Equipment lease financing | 48 | 48 |
| Total commercial | 40,544 | 39,670 |
| Consumer | | |
| Residential real estate | 12,871 | 12,983 |
| Home equity | 2,430 | 2,417 |
| Automobile | 3,916 | 3,912 |
| Credit card | 820 | 758 |
| Other consumer | 1,688 | 1,630 |
| Total consumer | 21,725 | 21,700 |
| Total | $ 62,269 | $ 61,370 |

Other intangible assets from the BBVA acquisition, as of June 1, 2021 consisted of the following:

***Table 37: Intangible Assets***

| In millions | Fair Value | Weighted Life (years) | Amortization Method |
|---|---|---|---|
| Residential mortgage servicing rights | $ 35 | 5.5 | (a) |
| Core deposits | $ 283 | 10.0 | Accelerated |
| Other | 116 | 9.8 | Straight-line |
| Total core deposits and other | $ 399 | | |

(a) Intangible asset accounted for at fair value.

The following is a description of the methods used to determine the fair values of significant assets and liabilities.

**Cash and and Due from Banks and Interest-earning Deposits with Banks**
The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

**Loans Held for Sale**
Residential mortgage loans are valued based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. The prices are adjusted as necessary to include the embedded servicing value in the loans and to take into consideration the specific characteristics of certain loans that are priced based on the pricing of similar loans.

Personal installment loans are pooled based on delinquency status, and fair value of individual loans is calculated based on traded consumer unsecured loans, dealer research and loan level performance characteristics.

**Available For Sale Securities**
All investment securities from the BBVA acquisition were classified within the available for sale portfolio at acquisition. Fair value estimates for available for sale securities were determined by third-party pricing vendors. The third-party vendors use a variety of methods when pricing securities that incorporate relevant market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. These methods include the use of quoted prices for the identical or a similar security, an alternative market-based approach or an income approach, such as a discounted cash flow pricing model.

**Loans**
Fair value for loans is based on a discounted cash flow methodology that considered credit loss and prepayment expectations, market interest rates and other market factors, such as liquidity, from the perspective of a market participant. Loan cash flows were generated on an individual loan basis. The PD, LGD, exposure at default and prepayment assumptions are the key factors driving credit losses which are embedded into the estimated cash flows.

**Equity Investments**
Equity investments primarily include LIHTC investments and preservation fund investments. The fair value of the LIHTC investments was estimated based on LIHTC pricing observed for recent transactions in markets where the properties underlying the LIHTC investments from the BBVA acquisition are located. The fair value of the preservation investments was estimated based on appraisals and valuations of the properties in the investment portfolio using income and market projections.

**Mortgage Servicing Rights**
The fair value of mortgage servicing rights from the BBVA acquisition is estimated by using a discounted cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs and other factors which are determined based on current market conditions.

**Core Deposit Intangible**
This intangible asset represents the value of certain client deposit relationships. The fair value was estimated utilizing the cost method. Appropriate consideration was given to deposit costs including servicing costs, client retention and alternative funding source costs at the time of acquisition. The discount rate used was derived taking into account the estimated cost of equity, risk-free return rate and risk premium for the market and specific risk related to the asset’s cash flows. The core deposit intangible is being amortized over 10 years using an accelerated depreciation methodology.

**Deposits**
The fair values for time deposits were estimated by discounting contractual cash flows using current market rates for instruments with similar maturities. For deposits with no defined maturity, carrying values approximate fair values.

**Borrowed Funds**
The fair values of long-term debt instruments were estimated based on quoted market prices.

The following table presents financial results of BBVA included in the Consolidated Statement of Income from the date of acquisition through June 30, 2021.

***Table 38: BBVA Financial Results***

| In millions | One month ended June 30, 2021 |
|---|---|
| Net interest income | $ 236 |
| Noninterest income | $ 80 |
| Net income | $ 153 |

The following table presents unaudited pro forma results as if the acquisition of BBVA by PNC had occurred on January 1, 2020 and includes the impact of amortizing and accreting certain estimated purchase accounting adjustments such as intangible assets as well as fair value adjustments to loans, deposits and long-term debt. Acquisition costs of $117 million that have been incurred since January 1, 2021 are included in the pro forma results. PNC's financial results include the divestiture of BlackRock of $4.3 billion recorded in net income. Additionally, BBVA's financial results through the six months ended June 30, 2020 included a $2.2 billion goodwill impairment charge recorded in noninterest expense. The pro forma information does not necessarily reflect the results that would have occurred had PNC acquired BBVA on January 1, 2020.

***Table 39: Unaudited Pro Forma Results***

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| In millions | 2021 | 2020 | 2021 | 2020 |
| Net interest income | $ 2,984 | $ 3,126 | $ 5,975 | $ 6,250 |
| Noninterest income | $ 2,258 | $ 1,757 | $ 4,354 | $ 3,825 |
| Net income | $ 2,097 | $ 3,327 | $ 4,226 | $ 851 |

Under CECL, PNC is required to determine whether purchased loans held for investment have experienced more-than-insignificant deterioration in credit quality since origination. PNC considers a variety of factors in connection with the identification of more-than-insignificant deterioration in credit quality, including but not limited to nonperforming status, delinquency, risk ratings, TDR classification, FICO scores and other qualitative factors that indicate deterioration in credit quality since origination. PNC initially measures the amortized cost of a PCD loan by adding the acquisition date estimate of expected credit losses to the loan's purchase price. The initial ACL for PCD loans of $1.2 billion was established through an adjustment to the BBVA loan balance and related purchase accounting mark. Non-PCD loans and PCD loans had a fair value of $52.1 billion and $9.3 billion at the acquisition date and unpaid principal balance of $52.0 billion and $10.3 billion, respectively. In accordance with U.S. GAAP, there was no carryover of the ACL that had been previously recorded by BBVA. Subsequent to acquisition, PNC recorded an ACL on non-PCD loans of $1.0 billion through an increase to the provision for credit losses.

***Table 40: PCD Loan Activity***

| In millions | | June 1, 2021 |
|---|---|---|
| Principal Balance | $ | 10,253 |
| ACL at acquisition | | (1,161) |
| Non-credit premium | | 224 |
| Purchase price | $ | 9,316 |

## Sale of Equity Investment in BlackRock, Inc.

In May 2020, PNC completed the sale of its 31.6 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 $0.2 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.

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

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

***Table 41: Consolidated Income Statement - Discontinued Operations***

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| In millions | 2020 | | 2020 | |
| Noninterest income | $ | 5,596 | $ | 5,777 |
| Total revenue | | 5,596 | | 5,777 |
| Income from discontinued operations before income taxes and noncontrolling interests | | 5,596 | | 5,777 |
| Income taxes | | 1,197 | | 1,222 |
| Net income from discontinued operations | $ | 4,399 | $ | 4,555 |

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

***Table 42: Consolidated Statement of Cash Flows - Discontinued Operations***

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

## NOTE 3 INVESTMENT SECURITIES

The following table summarizes our available for sale and held to maturity portfolios by major security type:

***Table 43: Investment Securities Summary***

| | June 30, 2021 (a) | | | | December 31, 2020 (a) | | | |
|---|---|---|---|---|---|---|---|---|
| | | Unrealized | | | | Unrealized | | |
| In millions | Amortized Cost | Gains | Losses | Fair Value | Amortized Cost | Gains | Losses | Fair Value |
| **Securities Available for Sale** | | | | | | | | |
| U.S. Treasury and government agencies | $ 38,564 | $ 593 | $ (146) | $ 39,011 | $ 19,821 | $ 903 | $ (13) | $ 20,711 |
| Residential mortgage-backed | | | | | | | | |
| Agency | 66,393 | 1,046 | (125) | 67,314 | 47,355 | 1,566 | (10) | 48,911 |
| Non-agency | 1,081 | 247 | (5) | 1,323 | 1,272 | 243 | (14) | 1,501 |
| Commercial mortgage-backed | | | | | | | | |
| Agency | 2,263 | 71 | (3) | 2,331 | 2,571 | 119 | (2) | 2,688 |
| Non-agency | 4,033 | 59 | (13) | 4,079 | 3,678 | 78 | (67) | 3,689 |
| Asset-backed | 5,625 | 78 | (6) | 5,697 | 5,060 | 100 | (10) | 5,150 |
| Other | 5,060 | 244 | (1) | 5,303 | 4,415 | 293 | | 4,708 |
| Total securities available for sale (b) | $ 123,019 | $ 2,338 | $ (299) | $ 125,058 | $ 84,172 | $ 3,302 | $ (116) | $ 87,358 |
| **Securities Held to Maturity** | | | | | | | | |
| U.S. Treasury and government agencies | $ 804 | $ 87 | | $ 891 | $ 795 | $ 125 | | $ 920 |
| Other | 681 | 33 | $ (7) | 707 | 646 | 42 | $ (3) | 685 |
| Total securities held to maturity (c) | $ 1,485 | $ 120 | $ (7) | $ 1,598 | $ 1,441 | $ 167 | $ (3) | $ 1,605 |

(a) The accrued interest associated with our available for sale portfolio totaled $311 million and $238 million at June 30, 2021 and December 31, 2020, respectively. These amounts are included in Other assets on the Consolidated Balance Sheet.
(b) Amortized cost is presented net of allowance of $105 million and $79 million for securities available for sale at June 30, 2021 and December 31, 2020, respectively.
(c) Credit ratings represent a primary credit quality indicator used to monitor and manage credit risk. 84% and 85% of our securities held to maturity were rated AAA/AA at June 30, 2021 and December 31, 2020, respectively.

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 both June 30, 2021 and June 30, 2020 included $0.3 billion of net unsettled purchases which represent non-cash investing activity, and accordingly, are not reflected on the Consolidated Statement of Cash Flows.

We maintain the allowance for investment securities at levels that we believe to be appropriate as of the balance sheet date based on estimation of expected credit losses on our portfolio. As of June 30, 2021, the allowance for investment securities was $108 million and primarily related to non-agency commercial mortgage-backed securities in the available for sale portfolio. The provision for credit losses on investment securities was zero and $26 million for the three and six months ended June 30, 2021. See Note 1 Accounting Policies included in Item 8 of our 2020 Form 10-K for a discussion of the methodologies used to determine the allowance for investment securities.

Table 44 presents the gross unrealized losses and fair value of securities available for sale that do not have an associated allowance for investment securities at June 30, 2021 and December 31, 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, 2021, 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 44: Gross Unrealized Loss and Fair Value of Securities Available for Sale Without an Allowance for Credit Losses***

| In millions | Unrealized loss position less than 12 months | | Unrealized loss position 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value |
| **June 30, 2021** | | | | | | |
| U.S. Treasury and government agencies | $ (146) | $ 17,168 | | | $ (146) | $ 17,168 |
| Residential mortgage-backed | | | | | | |
| Agency | (122) | 24,527 | $ (3) | $ 442 | (125) | 24,969 |
| Non-agency | | | (5) | 155 | (5) | 155 |
| Commercial mortgage-backed | | | | | | |
| Agency | (2) | 274 | (1) | 65 | (3) | 339 |
| Non-agency | | | (4) | 710 | (4) | 710 |
| Asset-backed | (3) | 793 | (3) | 386 | (6) | 1,179 |
| Other | (1) | 196 | | | (1) | 196 |
| Total securities available for sale | $ (274) | $ 42,958 | $ (16) | $ 1,758 | $ (290) | $ 44,716 |
| **December 31, 2020** | | | | | | |
| U.S. Treasury and government agencies | $ (13) | $ 603 | | | $ (13) | $ 603 |
| Residential mortgage-backed | | | | | | |
| Agency | (8) | 3,152 | $ (2) | $ 82 | (10) | 3,234 |
| Non-agency | (7) | 119 | (7) | 73 | (14) | 192 |
| Commercial mortgage-backed | | | | | | |
| Agency | | | (2) | 149 | (2) | 149 |
| Non-agency | (13) | 972 | (7) | 714 | (20) | 1,686 |
| Asset-backed | (1) | 339 | (9) | 706 | (10) | 1,045 |
| Total securities available for sale | $ (42) | $ 5,185 | $ (27) | $ 1,724 | $ (69) | $ 6,909 |

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

***Table 45: Gains (Losses) on Sales of Securities Available for Sale***

| Six months ended June 30<br>In millions | Gross Gains | Gross Losses | Net Gains | Tax Expense |
|---|---|---|---|---|
| **2021** | $ 201 | $ (166) | $ 35 | $ 7 |
| 2020 | $ 224 | $ (2) | $ 222 | $ 47 |

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at June 30, 2021:

***Table 46: Contractual Maturity of Debt Securities***

| June 30, 2021<br>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 | $ 2,751 | $ 22,506 | $ 11,358 | $ 1,949 | $ 38,564 |
| Residential mortgage-backed | | | | | |
| Agency | 1 | 123 | 2,124 | 64,145 | 66,393 |
| Non-agency | | | 2 | 1,079 | 1,081 |
| Commercial mortgage-backed | | | | | |
| Agency | 64 | 520 | 804 | 875 | 2,263 |
| Non-agency | | 174 | 210 | 3,649 | 4,033 |
| Asset-backed | 109 | 2,117 | 771 | 2,628 | 5,625 |
| Other | 616 | 2,031 | 1,625 | 788 | 5,060 |
| Total securities available for sale at amortized cost | $ 3,541 | $ 27,471 | $ 16,894 | $ 75,113 | $ 123,019 |
| Fair value | $ 3,562 | $ 27,856 | $ 17,091 | $ 76,549 | $ 125,058 |
| Weighted-average yield, GAAP basis (a) | 1.42 % | 1.25 % | 1.60 % | 2.49 % | 2.19 % |
| **Securities Held to Maturity** | | | | | |
| U.S. Treasury and government agencies | | $ 199 | $ 318 | $ 287 | $ 804 |
| Other | $ 80 | 424 | 98 | 79 | 681 |
| Total securities held to maturity at amortized cost | $ 80 | $ 623 | $ 416 | $ 366 | $ 1,485 |
| Fair value | $ 81 | $ 651 | $ 483 | $ 383 | $ 1,598 |
| Weighted-average yield, GAAP basis (a) | 3.24 % | 2.95 % | 3.91 % | 2.61 % | 3.16 % |

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

At June 30, 2021, 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 $32.3 billion and $22.5 billion and fair value of $33.2 billion and $22.6 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 47: Fair Value of Securities Pledged and Accepted as Collateral***

| illions | | June 30 2021 | December 31 2020 |
|---|---|---|---|
| dged to others | $ | 24,[illegible]21 | 22,841 |
| cepted from others: | | | |
| ermitted by contract or custom to sell or repledge | $ | [illegible]52 | 683 |
| ermitted amount repledged to others | $ | [illegible]52 | 683 |

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 oftwo 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 | • Residential real estate |
| • Commercial real estate | • Home equity |
| • Equipment lease financing | • Automobile |
| | • Credit card |
| | • Education |
| | • Other consumer |

See Note 1 Accounting Policies included in Item 8 of our 2020 Form 10-K 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. Loan delinquencies include government insured or guaranteed loans, loans accounted for under the fair value option and PCD loans.

Table 48 presents the composition and delinquency status of our loan portfolio at June 30, 2021 and December 31, 2020. 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 aligns 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:

- if current at the time of modification, the loan remains current throughout the modification period,
- if delinquent at the time of modification and the borrower was not made current as part of the modification, the loan maintains its reported delinquent status during the modification period, or
- 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, 2021 and December 31, 2020 based on the contractual terms of the loan, even where borrowers may not be making payments on their loans during the modification period. Loan modifications due to COVID-19 related hardships that permanently reduce either the contractual interest rate or the principal balance of a loan do not qualify for TDR relief under the CARES Act or the interagency guidance.

*Table 48: Analysis of Loan Portfolio (a) (b)*

| | Accruing | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Dollars in millions | Current or Less Than 30 Days Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days Or More Past Due | Total Past Due (c) | Nonperforming Loans | Fair Value Option Nonaccrual Loans (d) | Total Loans (e)(f) |
| **June 30, 2021** | | | | | | | | |
| Commercial | | | | | | | | |
| Commercial and industrial | $ 154,226 | $ 72 | $ 27 | $ 45 | $ 144 | $ 930 | | $ 155,300 |
| Commercial real estate | 37,453 | 5 | 3 | 2 | 10 | 501 | | 37,964 |
| Equipment lease financing | 6,354 | 3 | 4 | | 7 | 15 | | 6,376 |
| Total commercial | 198,033 | 80 | 34 | 47 | 161 | 1,446 | | 199,640 |
| Consumer | | | | | | | | |
| Residential real estate | 35,099 | 212 | 82 | 337 | 631 (c) | 503 | $ 613 | 36,846 |
| Home equity | 24,377 | 44 | 17 | | 61 | 626 | 110 | 25,174 |
| Automobile | 17,239 | 98 | 20 | 3 | 121 | 191 | | 17,551 |
| Credit card | 6,401 | 37 | 24 | 59 | 120 | 7 | | 6,528 |
| Education | 2,591 | 46 | 22 | 67 | 135 (c) | | | 2,726 |
| Other consumer | 6,172 | 31 | 16 | 14 | 61 | 6 | | 6,239 |
| Total consumer | 91,879 | 468 | 181 | 480 | 1,129 | 1,333 | 723 | 95,064 |
| Total | $ 289,912 | $ 548 | $ 215 | $ 527 | $ 1,290 | $ 2,779 | $ 723 | $ 294,704 |
| Percentage of total loans | 98.37 % | 0.19 % | 0.07 % | 0.18 % | 0.44 % | 0.94 % | 0.25 % | 100.00 % |
| **December 31, 2020** | | | | | | | | |
| Commercial | | | | | | | | |
| Commercial and industrial | $ 131,245 | $ 106 | $ 26 | $ 30 | $ 162 | $ 666 | | $ 132,073 |
| Commercial real estate | 28,485 | 6 | 1 | | 7 | 224 | | 28,716 |
| Equipment lease financing | 6,345 | 31 | 5 | | 36 | 33 | | 6,414 |
| Total commercial | 166,075 | 143 | 32 | 30 | 205 | 923 | | 167,203 |
| Consumer | | | | | | | | |
| Residential real estate | 20,945 | 181 | 78 | 319 | 578 (c) | 528 | $ 509 | 22,560 |
| Home equity | 23,318 | 50 | 21 | | 71 | 645 | 54 | 24,088 |
| Automobile | 13,863 | 134 | 34 | 12 | 180 | 175 | | 14,218 |
| Credit card | 6,074 | 43 | 30 | 60 | 133 | 8 | | 6,215 |
| Education | 2,785 | 55 | 29 | 77 | 161 (c) | | | 2,946 |
| Other consumer | 4,656 | 14 | 10 | 11 | 35 | 7 | | 4,698 |
| Total consumer | 71,641 | 477 | 202 | 479 | 1,158 | 1,363 | 563 | 74,725 |
| Total | $ 237,716 | $ 620 | $ 234 | $ 509 | $ 1,363 | $ 2,286 | $ 563 | $ 241,928 |
| Percentage of total loans | 98.27 % | 0.26 % | 0.10 % | 0.21 % | 0.56 % | 0.94 % | 0.23 % | 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 totaled $ 0.8 billion and $0.7 billion at June 30, 2021 and December 31, 2020, respectively. These amounts are 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 $ 0.4 billion and $0.1 billion at June 30, 2021. Comparable amounts at December 31, 2020 were $ 0.4 billion and $0.2 billion.
(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) Includes unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans totaling $ 1.0 billion and $1.3 billion at June 30, 2021 and December 31, 2020, respectively.
(f) Collateral dependent loans totaled $1.9 billion and $1.5 billion at June 30, 2021 and December 31, 2020, respectively.

At June 30, 2021, we pledged $45.5 billion of commercial and other loans to the Federal Reserve Bank and $78.5 billion of residential real estate and other loans to the FHLB as collateral for the ability to borrow, if necessary. The comparable amounts at December 31, 2020 were $30.1 billion and $69.0 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 and include nonperforming TDRs and PCD loans. 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. See Note 1 Accounting Policies included in Item 8 of our 2020 Form 10-K for additional information on our nonperforming loan and lease policies.

The following table presents our nonperforming assets as of June 30, 2021 and December 31, 2020 , respectively:

***Table 49: Nonperforming Assets***

| Dollars in millions | | June 30 2021 | | December 31 2020 |
|---|---|---|---|---|
| Nonperforming loans | | | | |
| Commercial | $ | 1,446 | $ | 923 |
| Consumer (a) | | 1,333 | | 1,363 |
| Total nonperforming loans (b) | | 2,779 | | 2,286 |
| OREO and foreclosed assets | | 39 | | 51 |
| Total nonperforming assets | $ | 2,818 | $ | 2,337 |
| Nonperforming loans to total loans | | 0.94 % | | 0.94 % |
| Nonperforming assets to total loans, OREO and foreclosed assets | | 0.96 % | | 0.97 % |
| Nonperforming assets to total assets | | 0.51 % | | 0.50 % |

(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 $ 1.0 billion at June 30, 2021 and primarily include loans with a fair value of collateral that exceeds the amortized cost basis. The comparable amount at December 31, 2020 was $0.8 billion.

Nonperforming loans 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 included in Item 8 of our 2020 Form 10-K and the Troubled Debt Restructurings section of this Note 4 for additional information on TDRs.

Total nonperforming loans in Table 49 include TDRs of $0.8 billion and $0.9 billion at June 30, 2021 and December 31, 2020, respectively. TDRs that are performing, including consumer credit card TDR loans, totaled $0.7 billion at both June 30, 2021 and December 31, 2020 and are excluded from nonperforming loans.

**Additional Credit Quality Indicators by Loan Class**

Commercial Loan Classes
See Note 4 Loans and Related Allowance for Credit Losses included in Item 8 of our 2020 Form 10-K for additional information related to these loan classes, including discussion around the credit quality indicators that we use to monitor and manage the credit risk associated with each loan class.

The following table presents credit quality indicators for the commercial loan classes:

***Table 50: Commercial Credit Quality Indicators (a)***

| | Term Loans by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| June 30, 2021 - In millions | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total Loans |
| **Commercial and industrial** | | | | | | | | | |
| Pass Rated | $ 20,084 | $ 18,350 | $ 13,729 | $ 8,737 | $ 7,980 | $ 14,429 | $ 62,892 | $ 91 | $ 146,292 |
| Criticized | 287 | 544 | 933 | 969 | 528 | 1,069 | 4,650 | 28 | 9,008 |
| Total commercial and industrial | 20,371 | 18,894 | 14,662 | 9,706 | 8,508 | 15,498 | 67,542 | 119 | 155,300 |
| **Commercial real estate** | | | | | | | | | |
| Pass Rated | 2,124 | 4,419 | 8,354 | 5,547 | 3,220 | 8,971 | 414 | | 33,049 |
| Criticized | 131 | 297 | 960 | 677 | 745 | 2,055 | 50 | | 4,915 |
| Total commercial real estate | 2,255 | 4,716 | 9,314 | 6,224 | 3,965 | 11,026 | 464 | | 37,964 |
| **Equipment lease financing** | | | | | | | | | |
| Pass Rated | 636 | 1,306 | 1,097 | 816 | 616 | 1,647 | | | 6,118 |
| Criticized | 21 | 64 | 62 | 74 | 29 | 8 | | | 258 |
| Total equipment lease financing | 657 | 1,370 | 1,159 | 890 | 645 | 1,655 | | | 6,376 |
| Total commercial | $ 23,283 | $ 24,980 | $ 25,135 | $ 16,820 | $ 13,118 | $ 28,179 | $ 68,006 | $ 119 | $ 199,640 |

| | Term Loans by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2020 - In millions | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total Loans |
| **Commercial and industrial** | | | | | | | | | |
| Pass Rated | $ 31,680 | $ 13,340 | $ 8,209 | $ 5,956 | $ 4,242 | $ 7,141 | $ 54,775 | $ 53 | $ 125,396 |
| Criticized | 339 | 702 | 578 | 334 | 224 | 351 | 4,130 | 19 | 6,677 |
| Total commercial and industrial | 32,019 | 14,042 | 8,787 | 6,290 | 4,466 | 7,492 | 58,905 | 72 | 132,073 |
| **Commercial real estate** | | | | | | | | | |
| Pass Rated | 3,709 | 6,268 | 3,426 | 2,841 | 2,341 | 6,792 | 218 | | 25,595 |
| Criticized | 319 | 548 | 148 | 423 | 400 | 1,159 | 124 | | 3,121 |
| Total commercial real estate | 4,028 | 6,816 | 3,574 | 3,264 | 2,741 | 7,951 | 342 | | 28,716 |
| **Equipment lease financing** | | | | | | | | | |
| Pass Rated | 1,429 | 1,202 | 942 | 738 | 405 | 1,350 | | | 6,066 |
| Criticized | 78 | 92 | 86 | 39 | 22 | 31 | | | 348 |
| Total equipment lease financing | 1,507 | 1,294 | 1,028 | 777 | 427 | 1,381 | | | 6,414 |
| Total commercial | $ 37,554 | $ 22,152 | $ 13,389 | $ 10,331 | $ 7,634 | $ 16,824 | $ 59,247 | $ 72 | $ 167,203 |

(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, 2021 and December 31, 2020.

Consumer Loan Classes

See Note 4 Loans and Related Allowance for Credit Losses included in Item 8 of our 2020 Form 10-K for additional information related to these loan classes, including discussion around the credit quality indicators that we use to monitor and manage the credit risk associated with each loan class.

*Residential Real Estate and Home Equity*

The following table presents credit quality indicators for the residential real estate loan class:

***Table 51: Residential Real Estate Credit Quality Indicators***

| | Term Loans by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| June 30, 2021 - In millions | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Total Loans |
| **PNC legacy** | | | | | | | |
| Current estimated LTV ratios | | | | | | | |
| Greater than 100% | $ 1 | $ 16 | $ 58 | $ 18 | $ 29 | $ 194 | $ 316 |
| Greater than or equal to 80% to 100% | 727 | 157 | 160 | 44 | 63 | 248 | 1,399 |
| Less than 80% | 5,578 | 6,464 | 2,527 | 704 | 1,298 | 4,661 | 21,232 |
| Government insured or guaranteed loans | | 10 | 29 | 24 | 35 | 767 | 865 |
| Total PNC legacy portfolio | 6,306 | 6,647 | 2,774 | 790 | 1,425 | 5,870 | 23,812 |
| **Acquired loans** | | | | | | | |
| Estimated LTV ratios (a) | | | | | | | |
| Greater than 100% | 11 | 24 | 3 | 2 | 4 | 23 | 67 |
| Greater than or equal to 80% to 100% | 635 | 1,407 | 612 | 293 | 286 | 664 | 3,897 |
| Less than 80% | 1,158 | 2,094 | 843 | 330 | 414 | 3,581 | 8,420 |
| No LTV ratio available | 104 | 313 | 114 | 38 | 4 | | 573 |
| Government insured or guaranteed loans | 1 | 4 | 14 | 11 | 10 | 37 | 77 |
| Total acquired loans | 1,909 | 3,842 | 1,586 | 674 | 718 | 4,305 | 13,034 |
| Total residential real estate | $ 8,215 | $ 10,489 | $ 4,360 | $ 1,464 | $ 2,143 | $ 10,175 | $ 36,846 |
| Updated FICO scores | | | | | | | |
| Greater than or equal to 780 | $ 4,691 | $ 7,211 | $ 2,922 | $ 832 | $ 1,361 | $ 5,170 | $ 22,187 |
| 720 to 779 | 2,667 | 2,213 | 870 | 287 | 422 | 1,838 | 8,297 |
| 660 to 719 | 252 | 530 | 299 | 163 | 143 | 913 | 2,300 |
| Less than 660 | 29 | 110 | 101 | 90 | 99 | 872 | 1,301 |
| No FICO score available | 575 | 411 | 124 | 57 | 73 | 579 | 1,819 |
| Government insured or guaranteed loans | 1 | 14 | 44 | 35 | 45 | 803 | 942 |
| Total residential real estate | $ 8,215 | $ 10,489 | $ 4,360 | $ 1,464 | $ 2,143 | $ 10,175 | $ 36,846 |

| | Term Loans by Origination Year | | | | | | |
|---|---|---|---|---|---|---|---|
| December 31, 2020 - In millions | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Total Loans |
| Current estimated LTV ratios | | | | | | | |
| Greater than 100% | $ 3 | $ 52 | $ 26 | $ 42 | $ 41 | $ 160 | $ 324 |
| Greater than or equal to 80% to 100% | 495 | 422 | 127 | 156 | 124 | 307 | 1,631 |
| Less than 80% | 7,491 | 3,656 | 992 | 1,706 | 1,847 | 3,991 | 19,683 |
| Government insured or guaranteed loans | 7 | 28 | 27 | 38 | 57 | 765 | 922 |
| Total residential real estate | $ 7,996 | $ 4,158 | $ 1,172 | $ 1,942 | $ 2,069 | $ 5,223 | $ 22,560 |
| Updated FICO scores | | | | | | | |
| Greater than or equal to 780 | $ 5,425 | $ 3,099 | $ 814 | $ 1,432 | $ 1,538 | $ 2,551 | $ 14,859 |
| 720 to 779 | 2,268 | 820 | 220 | 340 | 335 | 818 | 4,801 |
| 660 to 719 | 252 | 161 | 76 | 98 | 92 | 475 | 1,154 |
| Less than 660 | 40 | 48 | 33 | 31 | 41 | 485 | 678 |
| No FICO score available | 4 | 2 | 2 | 3 | 6 | 129 | 146 |
| Government insured or guaranteed loans | 7 | 28 | 27 | 38 | 57 | 765 | 922 |
| Total residential real estate | $ 7,996 | $ 4,158 | $ 1,172 | $ 1,942 | $ 2,069 | $ 5,223 | $ 22,560 |

(a) LTV ratios, inclusive of CLTV for first lien and certain subordinate lien positions, in the BBVA loan portfolio are calculated on a quarterly basis utilizing the real estate collateral values available at origination. These calculations will be refreshed to update the property values of real estate collateral and calculate an updated current estimated LTV ratio upon conversion of bank systems, which is expected to occur in October 2021. See Note 4 Loans and Related Allowance for Credit Losses included in Item 8 of our 2020 Form 10-K for additional information on how current estimated LTV ratios are calculated in the PNC legacy portfolio.

The following table presents credit quality indicators for the home equity loan class:

***Table 52: Home Equity Credit Quality Indicators***

| June 30, 2021 - In millions | Term Loans by Origination Year 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total Loans |
|---|---|---|---|---|---|---|---|---|---|
| **PNC legacy** | | | | | | | | | |
| Current estimated LTV ratios | | | | | | | | | |
| Greater than 100% | | $ 20 | $ 32 | $ 9 | $ 7 | $ 100 | $ 418 | $ 203 | $ 789 |
| Greater than or equal to 80% to 100% | $ 23 | 176 | 145 | 28 | 19 | 119 | 1,081 | 548 | 2,139 |
| Less than 80% | 205 | 2,866 | 1,432 | 441 | 652 | 3,677 | 6,406 | 4,149 | 19,828 |
| Total PNC legacy portfolio | 228 | 3,062 | 1,609 | 478 | 678 | 3,896 | 7,905 | 4,900 | 22,756 |
| **Acquired loans** | | | | | | | | | |
| Estimated LTV ratios (a) | | | | | | | | | |
| Greater than 100% | | | | | | 3 | 68 | | 71 |
| Greater than or equal to 80% to 100% | 1 | 5 | 3 | 2 | 1 | 16 | 578 | 1 | 607 |
| Less than 80% | 6 | 5 | 6 | 5 | 3 | 90 | 1,572 | 3 | 1,690 |
| No LTV ratio available | | | | | | 4 | 45 | 1 | 50 |
| Total acquired loans | 7 | 10 | 9 | 7 | 4 | 113 | 2,263 | 5 | 2,418 |
| Total home equity | $ 235 | $ 3,072 | $ 1,618 | $ 485 | $ 682 | $ 4,009 | $ 10,168 | $ 4,905 | $ 25,174 |
| Updated FICO scores | | | | | | | | | |
| Greater than or equal to 780 | $ 132 | $ 1,905 | $ 897 | $ 248 | $ 436 | $ 2,469 | $ 6,028 | $ 2,310 | $ 14,425 |
| 720 to 779 | 78 | 818 | 434 | 125 | 143 | 779 | 2,469 | 1,239 | 6,085 |
| 660 to 719 | 20 | 297 | 222 | 72 | 71 | 410 | 1,168 | 690 | 2,950 |
| Less than 660 | 3 | 50 | 64 | 38 | 31 | 339 | 412 | 575 | 1,512 |
| No FICO score available | 2 | 2 | 1 | 2 | 1 | 12 | 91 | 91 | 202 |
| Total home equity | $ 235 | $ 3,072 | $ 1,618 | $ 485 | $ 682 | $ 4,009 | $ 10,168 | $ 4,905 | $ 25,174 |

| December 31, 2020 - In millions | Term Loans by Origination Year 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total Loans |
|---|---|---|---|---|---|---|---|---|---|
| Current estimated LTV ratios | | | | | | | | | |
| Greater than 100% | $ 8 | $ 44 | $ 18 | $ 15 | $ 9 | $ 88 | $ 580 | $ 279 | $ 1,041 |
| Greater than or equal to 80% to 100% | 517 | 320 | 59 | 42 | 25 | 158 | 1,781 | 591 | 3,493 |
| Less than 80% | 2,909 | 1,636 | 513 | 773 | 660 | 3,754 | 6,433 | 2,876 | 19,554 |
| Total home equity | $ 3,434 | $ 2,000 | $ 590 | $ 830 | $ 694 | $ 4,000 | $ 8,794 | $ 3,746 | $ 24,088 |
| Updated FICO scores | | | | | | | | | |
| Greater than or equal to 780 | $ 2,019 | $ 1,094 | $ 311 | $ 525 | $ 449 | $ 2,467 | $ 5,382 | $ 1,480 | $ 13,727 |
| 720 to 779 | 1,028 | 558 | 153 | 181 | 145 | 777 | 2,137 | 941 | 5,920 |
| 660 to 719 | 334 | 273 | 86 | 84 | 66 | 402 | 985 | 625 | 2,855 |
| Less than 660 | 52 | 74 | 39 | 39 | 33 | 345 | 277 | 620 | 1,479 |
| No FICO score available | 1 | 1 | 1 | 1 | 1 | 9 | 13 | 80 | 107 |
| Total home equity | $ 3,434 | $ 2,000 | $ 590 | $ 830 | $ 694 | $ 4,000 | $ 8,794 | $ 3,746 | $ 24,088 |

(a) LTV ratios, inclusive of CLTV for first lien and certain subordinate lien positions, in the BBVA loan portfolio are calculated on a quarterly basis utilizing the real estate collateral values available at origination. These calculations will be refreshed to update the property values of real estate collateral and calculate an updated current estimated LTV ratio upon conversion of bank systems, which is expected to occur in October 2021. See Note 4 Loans and Related Allowance for Credit Losses included in Item 8 of our 2020 Form 10-K for additional information on how current estimated LTV ratios are calculated in the PNC legacy portfolio.

*Automobile, Credit Card, Education and Other Consumer*

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

***Table 53: Credit Quality Indicators for Automobile, Credit Card, Education and Other Consumer Loan Classes***

| | Term Loans by Origination Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| June 30, 2021 - In millions | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total Loans |
| Updated FICO Scores | | | | | | | | | |
| **Automobile** | | | | | | | | | |
| FICO score greater than or equal to 780 | $ 2,077 | $ 1,816 | $ 1,765 | $ 730 | $ 345 | $ 170 | | | $ 6,903 |
| 720 to 779 | 1,035 | 1,304 | 1,404 | 697 | 304 | 128 | | | 4,872 |
| 660 to 719 | 428 | 827 | 1,080 | 606 | 241 | 91 | | | 3,273 |
| Less than 660 | 134 | 380 | 766 | 599 | 243 | 109 | | | 2,231 |
| No FICO score available or required (a) | 214 | 33 | 14 | 7 | 3 | 1 | | | 272 |
| Total automobile | $ 3,888 | $ 4,360 | $ 5,029 | $ 2,639 | $ 1,136 | $ 499 | | | $ 17,551 |
| **Credit card** | | | | | | | | | |
| FICO score greater than or equal to 780 | | | | | | | $ 1,754 | $ 3 | $ 1,757 |
| 720 to 779 | | | | | | | 1,805 | 10 | 1,815 |
| 660 to 719 | | | | | | | 1,841 | 25 | 1,866 |
| Less than 660 | | | | | | | 912 | 37 | 949 |
| No FICO score available or required (a) | | | | | | | 137 | 4 | 141 |
| Total credit card | | | | | | | $ 6,449 | $ 79 | $ 6,528 |
| **Education** | | | | | | | | | |
| FICO score greater than or equal to 780 | $ 9 | $ 66 | $ 86 | $ 70 | $ 55 | $ 438 | | | $ 724 |
| 720 to 779 | 5 | 31 | 40 | 32 | 23 | 182 | | | 313 |
| 660 to 719 | 2 | 9 | 12 | 12 | 7 | 81 | | | 123 |
| Less than 660 | | 1 | 2 | 2 | 2 | 29 | | | 36 |
| No FICO score available or required (a) | 3 | 11 | 9 | 5 | 2 | 1 | | | 31 |
| Education loans using FICO credit metric | 19 | 118 | 149 | 121 | 89 | 731 | | | 1,227 |
| Other internal credit metrics | | | | | | 1,499 | | | 1,499 |
| Total education | $ 19 | $ 118 | $ 149 | $ 121 | $ 89 | $ 2,230 | | | $ 2,726 |
| **Other consumer** | | | | | | | | | |
| FICO score greater than or equal to 780 | $ 133 | $ 218 | $ 201 | $ 78 | $ 26 | $ 45 | $ 235 | $ 7 | $ 943 |
| 720 to 779 | 160 | 258 | 259 | 110 | 27 | 28 | 214 | 3 | 1,059 |
| 660 to 719 | 120 | 198 | 243 | 134 | 29 | 18 | 162 | 1 | 905 |
| Less than 660 | 32 | 81 | 115 | 85 | 19 | 12 | 53 | 1 | 398 |
| No FICO score available or required (a) | 82 | 9 | 1 | 1 | | 1 | 44 | | 138 |
| Other consumer loans using FICO credit metric | 527 | 764 | 819 | 408 | 101 | 104 | 708 | 12 | 3,443 |
| Other internal credit metrics | 54 | 36 | 27 | 25 | 26 | 112 | 2,496 | 20 | 2,796 |
| Total other consumer | $ 581 | $ 800 | $ 846 | $ 433 | $ 127 | $ 216 | $ 3,204 | $ 32 | $ 6,239 |

| December 31, 2020 - In millions | Term Loans by Origination Year 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total Loans |
|---|---|---|---|---|---|---|---|---|---|
| Updated FICO Scores | | | | | | | | | |
| **Automobile** | | | | | | | | | |
| FICO score greater than or equal to 780 | $ 1,807 | $ 1,915 | $ 807 | $ 452 | $ 246 | $ 58 | | | $ 5,285 |
| 720 to 779 | 1,098 | 1,581 | 789 | 381 | 167 | 44 | | | 4,060 |
| 660 to 719 | 617 | 1,222 | 684 | 288 | 109 | 31 | | | 2,951 |
| Less than 660 | 192 | 776 | 598 | 240 | 87 | 29 | | | 1,922 |
| Total automobile | $ 3,714 | $ 5,494 | $ 2,878 | $ 1,361 | $ 609 | $ 162 | | | $ 14,218 |
| **Credit card** | | | | | | | | | |
| FICO score greater than or equal to 780 | | | | | | | $ 1,635 | $ 3 | $ 1,638 |
| 720 to 779 | | | | | | | 1,724 | 11 | 1,735 |
| 660 to 719 | | | | | | | 1,765 | 26 | 1,791 |
| Less than 660 | | | | | | | 902 | 51 | 953 |
| No FICO score available or required (a) | | | | | | | 94 | 4 | 98 |
| Total credit card | | | | | | | $ 6,120 | $ 95 | $ 6,215 |
| **Education** | | | | | | | | | |
| FICO score greater than or equal to 780 | $ 34 | $ 90 | $ 74 | $ 59 | $ 50 | $ 428 | | | $ 735 |
| 720 to 779 | 24 | 46 | 38 | 28 | 20 | 190 | | | 346 |
| 660 to 719 | 15 | 15 | 14 | 9 | 6 | 90 | | | 149 |
| Less than 660 | 3 | 2 | 3 | 2 | 2 | 37 | | | 49 |
| No FICO score available or required (a) | 16 | 10 | 6 | 3 | | 1 | | | 36 |
| Education loans using FICO credit metric | 92 | 163 | 135 | 101 | 78 | 746 | | | 1,315 |
| Other internal credit metrics | | | | | | 1,631 | | | 1,631 |
| Total education | $ 92 | $ 163 | $ 135 | $ 101 | $ 78 | $ 2,377 | | | $ 2,946 |
| **Other consumer** | | | | | | | | | |
| FICO score greater than or equal to 780 | $ 162 | $ 187 | $ 63 | $ 21 | $ 5 | $ 42 | $ 86 | $ 1 | $ 567 |
| 720 to 779 | 197 | 247 | 82 | 22 | 5 | 22 | 123 | | 698 |
| 660 to 719 | 127 | 210 | 81 | 17 | 3 | 14 | 117 | 1 | 570 |
| Less than 660 | 28 | 86 | 41 | 9 | 2 | 8 | 53 | 1 | 228 |
| Other consumer loans using FICO credit metric | 514 | 730 | 267 | 69 | 15 | 86 | 379 | 3 | 2,063 |
| Other internal credit metrics | 67 | 33 | 37 | 26 | 60 | 75 | 2,334 | 3 | 2,635 |
| Total other consumer | $ 581 | $ 763 | $ 304 | $ 95 | $ 75 | $ 161 | $ 2,713 | $ 6 | $ 4,698 |

(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.

## Troubled Debt Restructurings

Table 54 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, 2021 and June 30, 2020. Additionally, the table provides information about the types of TDR concessions. See Note 1 Accounting Policies and Note 4 Loans and Related Allowance for Credit Losses included in Item 8 of our 2020 Form 10-K for additional discussion of TDRs.

***Table 54: Financial Impact and TDRs by Concession Type (a)***

| During the three months ended June 30, 2021<br>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 | 11 | $ 104 | | | $ 82 | $ 82 |
| Consumer | 1,386 | 23 | | $ 12 | 9 | 21 |
| Total TDRs | 1,397 | $ 127 | | $ 12 | $ 91 | $ 103 |
| During the six months ended June 30, 2021<br>Dollars in millions | | | | | | |
| Commercial | 30 | $ 197 | | | $ 176 | $ 176 |
| Consumer | 3,482 | 55 | | $ 28 | 21 | 49 |
| Total TDRs | 3,512 | $ 252 | | $ 28 | $ 197 | $ 225 |

| During the three months ended June 30, 2020<br>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<br>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 is 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.

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, 2021 and June 30, 2020:

***Table 55: Subsequently Defaulted TDRs***

| In millions | 2021 | 2020 |
|---|---|---|
| Three months ended June 30 | $ 14 | $ 22 |
| Six months ended June 30 | $ 26 | $ 37 |

**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 included in Item 8 of our 2020 Form 10-K for a discussion of the methodologies used to determine this allowance. A rollforward of the ACL related to loans follows:

***Table 56: Rollforward of Allowance for Credit Losses***

| | Three months ended June 30 | | | | | | Six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | | 2021 | | | 2020 | | |
| In millions | Commercial | Consumer | Total | Commercial | Consumer | Total | Commercial | Consumer | Total | Commercial | Consumer | Total |
| Allowance for loan and lease losses | | | | | | | | | | | | |
| Beginning balance | $ 3,083 | $ 1,631 | $ 4,714 | $ 1,979 | $ 1,965 | $ 3,944 | $ 3,337 | $ 2,024 | $ 5,361 | $ 1,812 | $ 930 | $ 2,742 |
| Adoption of ASU 2016-13 (a) | | | | | | | | | | (304) | 767 | 463 |
| Beginning balance, adjusted | 3,083 | 1,631 | 4,714 | 1,979 | 1,965 | 3,944 | 3,337 | 2,024 | 5,361 | 1,508 | 1,697 | 3,205 |
| Acquisition PCD reserves | 828 | 287 | 1,115 | | | | 828 | 287 | 1,115 | | | |
| Charge-offs | (274) | (154) | (428) | (122) | (192) | (314) | (343) | (328) | (671) | (205) | (413) | (618) |
| Recoveries | 34 | 88 | 122 | 15 | 63 | 78 | 52 | 167 | 219 | 39 | 131 | 170 |
| Net (charge-offs) (b) | (240) | (66) | (306) | (107) | (129) | (236) | (291) | (161) | (452) | (166) | (282) | (448) |
| Provision for (recapture of) credit losses | 140 | 66 | 206 | 1,508 | 712 | 2,220 | (64) | (232) | (296) | 2,039 | 1,133 | 3,172 |
| Other | 1 | | 1 | | | | 2 | | 2 | (1) | | (1) |
| Ending balance | $ 3,812 | $ 1,918 | $ 5,730 | $ 3,380 | $ 2,548 | $ 5,928 | $ 3,812 | $ 1,918 | $ 5,730 | $ 3,380 | $ 2,548 | $ 5,928 |
| Allowance for unfunded lending related commitments (c) | | | | | | | | | | | | |
| Beginning balance | $ 403 | $ 104 | $ 507 | $ 344 | $ 106 | $ 450 | $ 485 | $ 99 | $ 584 | $ 316 | $ 2 | $ 318 |
| Adoption of ASU 2016-13 (a) | | | | | | | | | | 53 | 126 | 179 |
| Beginning balance, adjusted | 403 | 104 | 507 | 344 | 106 | 450 | 485 | 99 | 584 | 369 | 128 | 497 |
| Acquisition PCD reserves | 43 | 3 | 46 | | | | 43 | 3 | 46 | | | |
| Provision for (recapture of) credit losses | 87 | 5 | 92 | 204 | 8 | 212 | 5 | 10 | 15 | 179 | (14) | 165 |
| Ending balance | $ 533 | $ 112 | $ 645 | $ 548 | $ 114 | $ 662 | $ 533 | $ 112 | $ 645 | $ 548 | $ 114 | $ 662 |
| Allowance for credit losses at June 30 (d) | $ 4,345 | $ 2,030 | $ 6,375 | $ 3,928 | $ 2,662 | $ 6,590 | $ 4,345 | $ 2,030 | $ 6,375 | $ 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) Amounts for the three and six months ended June 30, 2021 included $248 million attributable to BBVA, which primarily represents the charge-off of certain loans previously charged-off by BBVA, which were written up upon acquisition to unpaid principal balance as required by purchase accounting.
(c) See Note 8 Commitments for additional information about the underlying commitments related to this allowance.
(d) Represents the ALLL plus allowance for unfunded lending related commitments and excludes allowances for investment securities and other financial assets, which together totaled $18 million and $51 million at June 30, 2021 and June 30, 2020, respectively.

The ACL at June 30, 2021 totaled $6.4 billion, a $0.4 billion increase compared to December 31, 2020. This increase was primarily attributable to the addition of reserves related to the BBVA acquisition, partially offset by portfolio changes and an improved economic outlook. The following summarizes the changes in these factors that influenced the current ACL:

- We acquired BBVA on June 1, 2021. The initial provision for credit losses related to this acquisition along with the impact of fair value purchase accounting was incorporated into reserves in the current period.

- Portfolio changes that drove reserve declines at June 30, 2021 reflected improvements in credit quality along with decreases in loan balances across our legacy portfolio due to lower utilization of loan commitments by commercial customers and paydowns in the consumer portfolio.

- The economic scenarios used for the period ended June 30, 2021 were designed to reflect an improved near-term economic outlook in comparison to the scenarios used for the period ended December 31, 2020. This improvement was driven largely by improvements in both the outlook for consumer spending and the labor market due to the passage of the American Rescue Plan Act of 2021 and continued vaccine distribution.

## Note 5 Loan Sale and Servicing Activities and Variable Interest Entities

**Loan Sale and Servicing Activities**

As more fully described in Note 5 Loan Sale and Servicing Activities and Variable Interest Entities in Item 8 of our 2020 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 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 8 Commitments and Note 11 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 57: Cash Flows Associated with Loan Sale and Servicing Activities***

| In millions | | Residential Mortgages | | Commercial Mortgages (a) |
|---|---|---|---|---|
| **Cash Flows - Three months ended June 30, 2021** | | | | |
| Sales of loans (b) | $ | 2,283 | $ | 735 |
| Repurchases of previously transferred loans (c) | $ | 51 | $ | 9 |
| Servicing fees (d) | $ | 83 | $ | 38 |
| Servicing advances recovered/(funded), net | $ | (5) | $ | (26) |
| Cash flows on mortgage-backed securities held (e) | $ | 2,660 | $ | 19 |
| **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 - Six months ended June 30, 2021** | | | | |
| Sales of loans (b) | $ | 3,522 | $ | 1,723 |
| Repurchases of previously transferred loans (c) | $ | 144 | $ | 42 |
| Servicing fees (d) | $ | 165 | $ | 76 |
| Servicing advances recovered/(funded), net | $ | 12 | $ | (36) |
| Cash flows on mortgage-backed securities held (e) | $ | 5,215 | $ | 48 |
| **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 |

(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 ROAP option, as well as residential mortgage loans repurchased due to alleged breaches of origination covenants or representations and warranties made to purchasers.
(d) Includes contractually specified servicing fees, late charges and ancillary fees.
(e) Represents cash flows on securities where we transferred to and/or service loans for a securitization SPE and we hold securities issued by that SPE. The carrying values of such securities held were $ 17.5 billion, $ 16.5 billion and $22.4 billion in residential mortgage-backed securities and $ 0.7 billion, $ 0.8 billion, and $ 0.9 billion in commercial mortgage-backed securities at June 30, 2021, December 31, 2020 and June 30, 2020.

Table 58 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, 2021.

***Table 58: Principal Balance, Delinquent Loans and Net Charge-offs Related to Serviced Loans For Others***

| In millions | Residential Mortgages | Commercial Mortgages (a) |
|---|---|---|
| **June 30, 2021** | | |
| Total principal balance | $ 44,345 | $ 41,036 |
| Delinquent loans (b) | $ 548 | $ 62 |
| December 31, 2020 | | |
| Total principal balance | $ 43,351 | $ 40,790 |
| Delinquent loans (b) | $ 453 | $ 136 |
| **Three months ended June 30, 2021** | | |
| Net charge-offs (c) | $ 1 | $ 25 |
| Three months ended June 30, 2020 | | |
| Net charge-offs (c) | $ 2 | |
| **Six months ended June 30, 2021** | | |
| Net charge-offs (c) | $ 3 | $ 178 |
| Six months ended June 30, 2020 | | |
| Net charge-offs (c) | $ 10 | $ 99 |

(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 5 Loan Sale and Servicing Activities and Variable Interest Entities in Item 8 of our 2020 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 59 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 59. 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 59: 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, 2021** | | | |
| Mortgage-backed securitizations (b) | $ 18,849 | $ 18,849 (c) | $ 1 |
| Tax credit investments and other | 3,813 | 3,891 (d) | 1,787 (e) |
| Total | $ 22,662 | $ 22,740 | $ 1,788 |
| December 31, 2020 | | | |
| Mortgage-backed securitizations (b) | $ 18,207 | $ 18,207 (c) | $ 1 |
| Tax credit investments and other | 3,121 | 2,894 (d) | 1,198 (e) |
| Total | $ 21,328 | $ 21,101 | $ 1,199 |

(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 credit 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 LLCs. The purpose of these investments is to achieve a satisfactory return on capital and to assist us in achieving goals associated with the CRA. Within Income taxes, during both the six months ended June 30, 2021 and June 30, 2020, we recognized $0.1 billion or less of amortization, tax credits and other tax benefits associated with qualified investments in low income housing tax credits.

## Note 6 Goodwill and Mortgage Servicing Rights

**Goodwill**

Allocations of Goodwill by business segment during 2021 and 2020 follow:

***Table 60: Goodwill by Business Segment***

| In millions | Retail Banking | Corporate & Institutional Banking | Asset Management Group | Total |
|---|---|---|---|---|
| June 30, 2021 (a) | $ 6,493 | $ 4,274 | $ 191 | $ 10,958 |
| December 31, 2020 | $ 5,795 | $ 3,374 | $ 64 | $ 9,233 |

(a) Includes $1.6 billion of goodwill from the BBVA acquisition.

Goodwill increased during the six months ended June 30, 2021 primarily as a result of the acquisition of BBVA. Goodwill was recorded and allocated to each segment on a preliminary basis and is subject to change based on new information obtained related to the close date or reallocation of assets and liabilities to each segment. See Note 2 Acquisition and Divestiture Activities for additional information.

We review goodwill in each of our reporting units for impairment at least annually, in the fourth quarter, or more frequently if events occur or circumstances have changed significantly from the annual test date. Based on the results of our analysis, there were no impairment charges related to goodwill in the first six months of 2021 or in 2020.

**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 our projected servicing costs. MSRs are purchased or originated when loans are sold with servicing retained. MSRs totaled $1.8 billion and $1.2 billion at June 30, 2021 and December 31, 2020, 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 for more detail on our fair value measurement of MSRs. See Note 15 Fair Value and Note 6 Goodwill and Mortgage Servicing Rights in the Notes to Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K for more detail on our fair value measurement and our accounting of MSRs.

Changes in the commercial and residential MSRs follow:

***Table 61: Mortgage Servicing Rights***

| | Commercial MSRs | | Residential MSRs | |
|---|---|---|---|---|
| In millions | 2021 | 2020 | 2021 | 2020 |
| January 1 | $ 569 | $ 649 | $ 673 | $ 995 |
| Additions: | | | | |
| BBVA Acquisition | | | 35 | |
| From loans sold with servicing retained | 39 | 45 | 37 | 22 |
| Purchases | 21 | 23 | 372 | 61 |
| Changes in fair value due to: | | | | |
| Time and payoffs (a) | (57) | (61) | (160) | (82) |
| Other (b) | 110 | (166) | 154 | (419) |
| June 30 | $ 682 | $ 490 | $ 1,111 | $ 577 |
| Related unpaid principal balance at June 30 | $ 262,856 | $ 228,985 | $ 145,312 | $ 122,043 |
| Servicing advances at June 30 | $ 473 | $ 285 | $ 134 | $ 92 |

(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, 2021 and December 31, 2020 are shown in Tables 62 and 63. 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 62 and 63. 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 62: Commercial Mortgage Servicing Rights – Key Valuation Assumptions***

| Dollars in millions | June 30 2021 | December 31 2020 |
|---|---|---|
| Fair value | $ 682 | $ 569 |
| Weighted-average life (years) | 4.5 | 4.4 |
| Weighted-average constant prepayment rate | 5.20 % | 4.87 % |
| Decline in fair value from 10% adverse change | $ 11 | $ 9 |
| Decline in fair value from 20% adverse change | $ 20 | $ 18 |
| Effective discount rate | 7.56 % | 7.33 % |
| Decline in fair value from 10% adverse change | $ 19 | $ 15 |
| Decline in fair value from 20% adverse change | $ 39 | $ 31 |

***Table 63: Residential Mortgage Servicing Rights – Key Valuation Assumptions***

| Dollars in millions | June 30 2021 | December 31 2020 |
|---|---|---|
| Fair value | $ 1,111 | $ 673 |
| Weighted-average life (years) | 5.5 | 3.8 |
| Weighted-average constant prepayment rate | 12.88 % | 21.13 % |
| Decline in fair value from 10% adverse change | $ 49 | $ 41 |
| Decline in fair value from 20% adverse change | $ 100 | $ 82 |
| Weighted-average option adjusted spread | 881 bps | 922 bps |
| Decline in fair value from 10% adverse change | $ 35 | $ 20 |
| Decline in fair value from 20% adverse change | $ 68 | $ 38 |

Fees from mortgage loan servicing, which includes contractually specified servicing fees, late fees and ancillary fees were $0.1 billion for the three months ended June 30, 2021 and 2020 and $0.2 billion for the six months ended June 30, 2021 and 2020. 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 direct financing, sales-type and operating 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. For more information on lease accounting see Note 1 Accounting Policies and Note 7 Leases in the Notes to Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K.

***Table 64: Lessor Income***

| In millions | Three months ended June 30 2021 | Three months ended June 30 2020 | Six months ended June 30 2021 | Six months ended June 30 2020 |
|---|---|---|---|---|
| **Product** | | | | |
| Sales-type leases and direct financing leases (a) | $ 61 | $ 70 | $ 123 | $ 141 |
| Operating leases (b) | 20 | 25 | 40 | 52 |
| Lessor income | $ 81 | $ 95 | $ 163 | $ 193 |

(a) Included in Loan interest income on the Consolidated Income Statement.
(b) Included in Corporate services on the Consolidated Income Statement.

## NOTE 8 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 other commitments as of June 30, 2021 and December 31, 2020, respectively.

***Table 65: Commitments to Extend Credit and Other Commitments***

| In millions | June 30 2021 | December 31 2020 |
|---|---|---|
| Commitments to extend credit | | |
| Commercial | $ 176,396 | $ 153,089 |
| Home equity lines of credit | 19,301 | 16,626 |
| Credit card | 35,092 | 31,019 |
| Other | 10,645 | 7,087 |
| Total commitments to extend credit (a) | 241,434 | 207,821 |
| Net outstanding standby letters of credit (b) | 9,803 | 9,053 |
| Standby bond purchase agreements (c) | 1,516 | 1,448 |
| Other commitments (d) | 3,064 | 2,046 |
| Total commitments to extend credit and other commitments | $ 255,817 | $ 220,368 |

(a) Includes $28.3 billion from BBVA at June 30, 2021.
(b) Net outstanding standby letters of credit include $ 3.7 billion and $3.8 billion at June 30, 2021 and December 31, 2020, respectively, which support remarketing programs.
(c) We enter into standby bond purchase agreements to support municipal bond obligations.
(d) Includes $1.5 billion and $1.1 billion related to investments in qualified affordable housing projects for June 30, 2021 and December 31, 2020, 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, 2021, 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, 2021 had terms ranging from less than one year to eight years.

As of June 30, 2021, assets of $1.4 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 $0.1 billion at June 30, 2021 and is included in Other liabilities on our Consolidated Balance Sheet.

## NOTE 9 TOTAL EQUITY AND OTHER COMPREHENSIVE INCOME

Activity in total equity for the three and six months ended June 30, 2021 and 2020 is as follows:

***Table 66: Rollforward of Total Equity***

| | | Shareholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| In millions | Shares Outstanding Common Stock | Common Stock | Capital Surplus - Preferred Stock | Capital Surplus - Common Stock and Other | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Non-controlling Interests | Total Equity |
| **Three months ended** | | | | | | | | | |
| Balance 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 |
| Balance at March 31, 2021 (a) | 425 | $ 2,713 | $ 3,518 | $ 12,361 | $ 48,113 | $ 1,290 | $ (14,146) | $ 30 | $ 53,879 |
| Net income | | | | | 1,091 | | | 12 | 1,103 |
| Other comprehensive income, net of tax | | | | | | 173 | | | 173 |
| Cash dividends declared - Common | | | | | (492) | | | | (492) |
| Cash dividends declared - Preferred | | | | | (48) | | | | (48) |
| Preferred stock discount accretion | | | 1 | | (1) | | | | |
| Common stock activity | | | | 12 | | | | | 12 |
| Treasury stock activity | | | | 4 | | | 6 | | 10 |
| Other | | | | 32 | | | | 16 | 48 |
| Balance at June 30, 2021 (a) | 425 | $ 2,713 | $ 3,519 | $ 12,409 | $ 48,663 | $ 1,463 | $ (14,140) | $ 58 | $ 54,685 |
| **Six months ended** | | | | | | | | | |
| 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 (b) | | | | | (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 (loss), 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 |
| Balance at December 31, 2020 (a) | 424 | $ 2,713 | $ 3,517 | $ 12,367 | $ 46,848 | $ 2,770 | $ (14,205) | $ 31 | $ 54,041 |
| Net income | | | | | 2,907 | | | 22 | 2,929 |
| Other comprehensive income, net of tax | | | | | | (1,307) | | | (1,307) |
| Cash dividends declared - Common | | | | | (985) | | | | (985) |
| Cash dividends declared - Preferred | | | | | (105) | | | | (105) |
| Preferred stock discount accretion | | | 2 | | (2) | | | | |
| Common stock activity | | | | 12 | | | | | 12 |
| Treasury stock activity | 1 | | | 73 | | | 65 | | 138 |
| Other | | | | (43) | | | | 5 | (38) |
| Balance at June 30, 2021 (a) | 425 | $ 2,713 | $ 3,519 | $ 12,409 | $ 48,663 | $ 1,463 | $ (14,140) | $ 58 | $ 54,685 |

(a) The par value of our preferred stock outstanding was less than $ 0.5 million at each date and, therefore, is excluded from this presentation.
(b) Represents the cumulative effect of adopting ASU 2016-13 - Financial Instruments - *Credit Losses*.

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

***Table 67: Other Comprehensive Income (Loss)***

| | Three months ended June 30 | | | | | | Six months ended June 30 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | | 2021 | | | 2020 | | |
| In millions | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax | Pre-tax | Tax effect | After-tax |
| **Debt securities** | | | | | | | | | | | | |
| Net unrealized gains (losses) on securities | $ 55 | $ (13) | $ 42 | $ 579 | $ (134) | $ 445 | $ (1,126) | $ 265 | $ (861) | $ 2,241 | $ (515) | $ 1,726 |
| Less: Net realized gains (losses) reclassified to earnings (a) | 9 | (2) | 7 | 41 | (9) | 32 | 22 | (5) | 17 | 223 | (51) | 172 |
| Net change | 46 | (11) | 35 | 538 | (125) | 413 | (1,148) | 270 | (878) | 2,018 | (464) | 1,554 |
| **Cash flow hedge derivatives** | | | | | | | | | | | | |
| Net unrealized gains (losses) on cash flow hedge derivatives | 330 | (78) | 252 | 115 | (27) | 88 | (310) | 73 | (237) | 945 | (217) | 728 |
| Less: Net realized gains (losses) reclassified to earnings (a) | 108 | (25) | 83 | 103 | (24) | 79 | 243 | (57) | 186 | 148 | (34) | 114 |
| Net change | 222 | (53) | 169 | 12 | (3) | 9 | (553) | 130 | (423) | 797 | (183) | 614 |
| **Pension and other postretirement benefit plan adjustments** | | | | | | | | | | | | |
| Net pension and other postretirement benefit plan activity and other reclassified to earnings (b) | (43) | 10 | (33) | (17) | 4 | (13) | (13) | 3 | (10) | (5) | 1 | (4) |
| Net change | (43) | 10 | (33) | (17) | 4 | (13) | (13) | 3 | (10) | (5) | 1 | (4) |
| **Other** | | | | | | | | | | | | |
| Net unrealized gains (losses) on other transactions | | 2 | 2 | 2 | (1) | 1 | 1 | 3 | 4 | 10 | (19) | (9) |
| Net change | | 2 | 2 | 2 | (1) | 1 | 1 | 3 | 4 | 10 | (19) | (9) |
| **Total other comprehensive income (loss) from continuing operations** | 225 | (52) | 173 | 535 | (125) | 410 | (1,713) | 406 | (1,307) | 2,820 | (665) | 2,155 |
| **Total other comprehensive income (loss) from discontinued operations** | | | | 182 | (41) | 141 | | | | 148 | (33) | 115 |
| **Total other comprehensive income (loss)** | $ 225 | $ (52) | $ 173 | $ 717 | $ (166) | $ 551 | $ (1,713) | $ 406 | $ (1,307) | $ 2,968 | $ (698) | $ 2,270 |

(a) Reclassifications for pre-tax debt securities and cash flow hedges are recorded in interest income and noninterest income on the Consolidated Income Statement.
(b) Reclassifications include amortization of actuarial losses (gains) and amortization of prior period services costs (credits) which are recorded in noninterest expense on the Consolidated Income Statement.

*Table 68: Accumulated Other Comprehensive Income (Loss) Components*

| In millions, after-tax | Debt securities | 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 | $ 2,208 | $ 881 | $ (399) | $ (31) | $ 2,659 | $ (141) | $ 2,518 |
| Net activity | 413 | 9 | (13) | 1 | 410 | 141 | 551 |
| Balance at June 30, 2020 | $ 2,621 | $ 890 | $ (412) | $ (30) | $ 3,069 | | $ 3,069 |
| Balance at March 31, 2021 | $ 1,549 | $ 67 | $ (322) | $ (4) | $ 1,290 | | $ 1,290 |
| Net activity | 35 | 169 | (33) | 2 | 173 | | 173 |
| Balance at June 30, 2021 | $ 1,584 | $ 236 | $ (355) | $ (2) | $ 1,463 | | $ 1,463 |
| **Six months ended** | | | | | | | |
| Balance at December 31, 2019 | $ 1,067 | $ 276 | $ (408) | $ (21) | $ 914 | $ (115) | $ 799 |
| Net activity | 1,554 | 614 | (4) | (9) | 2,155 | 115 | 2,270 |
| Balance at June 30, 2020 | $ 2,621 | $ 890 | $ (412) | $ (30) | $ 3,069 | | $ 3,069 |
| Balance at December 31, 2020 | $ 2,462 | $ 659 | $ (345) | $ (6) | $ 2,770 | | $ 2,770 |
| Net activity | (878) | (423) | (10) | 4 | (1,307) | | (1,307) |
| Balance at June 30, 2021 | $ 1,584 | $ 236 | $ (355) | $ (2) | $ 1,463 | | $ 1,463 |

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

*Table 69: Dividends Per Share (a)*

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Common Stock** | $ 1.15 | $ 1.15 | $ 2.30 | $ 2.30 |
| **Preferred Stock** | | | | |
| Series B | $ 0.45 | $ 0.45 | $ 0.90 | $ 0.90 |
| Series O | | | $ 3,375 | $ 3,375 |
| Series P | $ 1,532 | $ 1,532 | $ 3,063 | $ 3,063 |
| Series Q (b) | | $ 1,344 | | $ 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. Beginning on August 1, dividends will be paid on the Series O on a quarterly basis (February 1, May 1, August 1, and November 1 of each year).

(b) On September 1, 2020, PNC redeemed all 4,800 shares of its Series Q Preferred Stock, as well as all 19.2 million Depositary Shares representing fractional interest in such shares.

On July 1, 2021, the PNC Board of Directors raised the quarterly cash dividend on common stock to $1.25 per share, an increase of 10 cents per share, or 9%, effective with the August 5, 2021 dividend payment.

## NOTE 10 EARNINGS PER SHARE

*Table 70: Basic and Diluted Earnings Per Common Share*

| In millions, except per share data | Three months ended June 30 2021 | Three months ended June 30 2020 | Six months ended June 30 2021 | Six months ended June 30 2020 |
|---|---|---|---|---|
| **Basic** | | | | |
| Net income (loss) from continuing operations | $ 1,103 | $ (744) | $ 2,929 | $ 15 |
| Less: | | | | |
| Net income attributable to noncontrolling interests | 12 | 7 | 22 | 14 |
| Preferred stock dividends | 48 | 55 | 105 | 118 |
| Preferred stock discount accretion and redemptions | 1 | 1 | 2 | 2 |
| Net income (loss) from continuing operations attributable to common shareholders | 1,042 | (807) | 2,800 | (119) |
| Less: Dividends and undistributed earnings allocated to nonvested restricted shares | 5 | 1 | 13 | 4 |
| Net income (loss) from continuing operations attributable to basic common shareholders | $ 1,037 | $ (808) | $ 2,787 | $ (123) |
| Net income from discontinued operations attributable to common shareholders | | $ 4,399 | | $ 4,555 |
| Less: Undistributed earnings allocated to nonvested restricted shares | | 21 | | 22 |
| Net income from discontinued operations attributable to basic common shareholders | | $ 4,378 | | $ 4,533 |
| Basic weighted-average common shares outstanding | 427 | 426 | 426 | 428 |
| Basic earnings (loss) per common share from continuing operations (a) | $ 2.43 | $ (1.90) | $ 6.54 | $ (0.29) |
| Basic earnings per common share from discontinued operations (a) | | $ 10.28 | | $ 10.60 |
| Basic earnings per common share (b) | $ 2.43 | $ 8.40 | $ 6.54 | $ 10.33 |
| **Diluted** | | | | |
| Net income (loss) from continuing operations attributable to diluted common shareholders | $ 1,037 | $ (808) | $ 2,787 | $ (123) |
| Net income from discontinued operations attributable to basic common shareholders | | $ 4,378 | | $ 4,533 |
| Less: Impact of earnings per share dilution from discontinued operations | | 1 | | 2 |
| Net income from discontinued operations attributable to diluted common shareholders | | $ 4,377 | | $ 4,531 |
| Basic weighted-average common shares outstanding | 427 | 426 | 426 | 428 |
| Dilutive potential common shares (c) | | | 1 | |
| Diluted weighted-average common shares outstanding | 427 | 426 | 427 | 428 |
| Diluted earnings (loss) per common share from continuing operations (a) | $ 2.43 | $ (1.90) | $ 6.53 | $ (0.29) |
| Diluted earnings per common share from discontinued operations (a) | | $ 10.28 | | $ 10.59 |
| Diluted earnings per common share (b) | $ 2.43 | $ 8.40 | $ 6.53 | $ 10.32 |

(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) For additional information on our policy for not allocating losses to participating securities, see the Earnings Per Common Share section of Note 1 Accounting Policies included in Item 8 of our 2020 Form 10-K.
(c) For periods in which there is a loss from continuing operations, any potential dilutive shares will be anti-dilutive. 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.

## NOTE 11 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 15 Fair Value in Item 8 of our 2020 Form 10-K. Additionally, for more information regarding the fair value of assets and liabilities from our BBVA acquisition, see Note 2 Acquisition and Divestiture Activity in this Report.

**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 15 Fair Value in Item 8 of our 2020 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 71: Fair Value Measurements – Recurring Basis Summary***

| | June 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | | $ 1,385 | $ 119 | $ 1,504 | | $ 691 | $ 163 | $ 854 |
| Commercial mortgage loans held for sale | | 165 | 52 | 217 | | 305 | 57 | 362 |
| Other consumer loans held for sale | | | 239 | 239 | | | | |
| Securities available for sale | | | | | | | | |
| U.S. Treasury and government agencies | $ 34,627 | 4,384 | | 39,011 | $ 16,675 | 4,036 | | 20,711 |
| Residential mortgage-backed | | | | | | | | |
| Agency | | 67,314 | | 67,314 | | 48,911 | | 48,911 |
| Non-agency | | 86 | 1,237 | 1,323 | | 136 | 1,365 | 1,501 |
| Commercial mortgage-backed | | | | | | | | |
| Agency | | 2,331 | | 2,331 | | 2,688 | | 2,688 |
| Non-agency | | 4,068 | 11 | 4,079 | | 3,678 | 11 | 3,689 |
| Asset-backed | | 5,522 | 175 | 5,697 | | 4,951 | 199 | 5,150 |
| Other | | 5,230 | 73 | 5,303 | | 4,636 | 72 | 4,708 |
| Total securities available for sale | 34,627 | 88,935 | 1,496 | 125,058 | 16,675 | 69,036 | 1,647 | 87,358 |
| Loans | | 748 | 979 | 1,727 | | 718 | 647 | 1,365 |
| Equity investments (a) | 922 | | 1,540 | 2,697 | 1,070 | | 1,263 | 2,629 |
| Residential mortgage servicing rights | | | 1,111 | 1,111 | | | 673 | 673 |
| Commercial mortgage servicing rights | | | 682 | 682 | | | 569 | 569 |
| Trading securities (b) | 621 | 1,208 | | 1,829 | 548 | 1,690 | | 2,238 |
| Financial derivatives (b) (c) | 3 | 6,357 | 87 | 6,447 | | 6,415 | 118 | 6,533 |
| Other assets | 450 | 104 | | 554 | 373 | 81 | | 454 |
| Total assets (d) | $ 36,623 | $ 98,902 | $ 6,305 | $ 142,065 | $ 18,666 | $ 78,936 | $ 5,137 | $ 103,035 |
| Liabilities | | | | | | | | |
| Other borrowed funds | $ 732 | $ 76 | $ 2 | $ 810 | $ 661 | $ 44 | $ 2 | $ 707 |
| Financial derivatives (c) (e) | | 3,519 | 200 | 3,719 | | 2,483 | 273 | 2,756 |
| Other liabilities | | | 124 | 124 | | | 43 | 43 |
| Total liabilities (f) | $ 732 | $ 3,595 | $ 326 | $ 4,653 | $ 661 | $ 2,527 | $ 318 | $ 3,506 |

(a) Certain investments that are measured at fair value using the net asset value 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, 2021 and December 31, 2020 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 12 Financial Derivatives for additional information related to derivative offsetting.
(d) Total assets at fair value as a percentage of total consolidated assets was 26% and 22% as of June 30, 2021 and December 31, 2020, respectively. Level 3 assets as a percentage of total assets at fair value was 4% and 5% at June 30, 2021 and December 31, 2020, respectively. Level 3 assets as a percentage of total consolidated assets was 1% at both June 30, 2021 and December 31, 2020.
(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, 2021 and December 31, 2020. Level 3 liabilities as a percentage of total liabilities at fair value was 7% and 9% as of June 30, 2021 and December 31, 2020, respectively. Level 3 liabilities as a percentage of total consolidated liabilities was less than 1% at both June 30, 2021 and December 31, 2020.

Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the six months ended June 30, 2021 and 2020 follow:

***Table 72: Reconciliation of Level 3 Assets and Liabilities***

***Three Months Ended June 30, 2021***

| | | Total realized / unrealized gains or losses for the period (a) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Level 3 Instruments Only<br>In millions | Fair Value Mar. 31, 2021 | Included in Earnings | Included in Other comprehensive income (b) | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Impact from BBVA Acquisition | Fair Value June 30, 2021 | Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2021 (a) (c) |
| **Assets** | | | | | | | | | | | | |
| Residential mortgage loans held for sale | $ 165 | $ (1) | | $ 3 | $ (36) | | $ (12) | $ 5 | $ (5) (e) | | $ 119 | |
| Commercial mortgage loans held for sale | 56 | 1 | | | (6) | | 1 | | | | 52 | |
| Other consumer loans held for sale | | | | | | | | | | $ 239 | 239 | |
| Securities available for sale | | | | | | | | | | | | |
| Residential mortgage-backed non-agency | 1,316 | 11 | | | | | (90) | | | | 1,237 | |
| Commercial mortgage-backed non-agency | 11 | | | | | | | | | | 11 | |
| Asset-backed | 194 | | $ 2 | | | | (21) | | | | 175 | |
| Other | 72 | | 1 | 2 | | | (2) | | | | 73 | |
| Total securities available for sale | 1,593 | 11 | 3 | 2 | | | (113) | | | | 1,496 | |
| Loans | 711 | 10 | | 9 | (3) | | (35) | | (5) (e) | 292 | 979 | $ 10 |
| Equity investments | 1,343 | 157 | | 92 | (52) | | | | | | 1,540 | 136 |
| Residential mortgage servicing rights | 979 | (141) | | 301 | | $ 24 | (87) | | | 35 | 1,111 | (141) |
| Commercial mortgage servicing rights | 701 | (19) | | 8 | | 21 | (29) | | | | 682 | (18) |
| Financial derivatives | 63 | 60 | | 2 | | | (43) | | | 5 | 87 | 57 |
| Total assets | $ 5,611 | $ 78 | $ 3 | $ 417 | $ (97) | $ 45 | $ (318) | $ 5 | $ (10) | $ 571 | $ 6,305 | $ 44 |
| **Liabilities** | | | | | | | | | | | | |
| Other borrowed funds | $ 2 | | | | | | | | | | $ 2 | |
| Financial derivatives | 227 | $ 4 | | | $ 1 | | $ (39) | | | $ 7 | 200 | $ 19 |
| Other liabilities | 73 | 28 | | | | $ 287 | (264) | | | | 124 | 27 |
| Total liabilities | $ 302 | $ 32 | | | $ 1 | $ 287 | $ (303) | | | $ 7 | $ 326 | $ 46 |
| Net gains (losses) | | $ 46 (f) | | | | | | | | | | $ (2) (g) |

***Three Months Ended June 30, 2020***

| Level 3 Instruments Only<br>In millions | Fair Value Mar. 31, 2020 | Total realized / unrealized gains or losses for the period (a): Included in Earnings | Total realized / unrealized gains or losses for the period (a): 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) (d) | | $ (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 |
| Financial derivatives | 135 | 50 | | 4 | | | (48) | | | 141 | 84 |
| 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) |

(continued from previous page)

***Six Months Ended June 30, 2021***

| Level 3 Instruments Only<br>In millions | Fair Value Dec. 31, 2020 | Total realized / unrealized gains or losses for the period (a): Included in Earnings | Total realized / unrealized gains or losses for the period (a): Included in Other comprehensive income (b) | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Impact from BBVA Acquisition | Fair Value June 30, 2021 | Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at June 30, 2021 (a) (c) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | | | | |
| Residential mortgage loans held for sale | $ 163 | | | $ 38 | $ (52) | | $ (28) | $ 8 | $ (10) (e) | | $ 119 | |
| Commercial mortgage loans held for sale | 57 | | | | (6) | | 1 | | | | 52 | $ 1 |
| Other consumer loans held for sale | | | | | | | | | | $ 239 | 239 | |
| Securities available for sale | | | | | | | | | | | | |
| Residential mortgage-backed non-agency | 1,365 | $ 20 | $ 16 | | | | (164) | | | | 1,237 | |
| Commercial mortgage-backed non-agency | 11 | | | | | | | | | | 11 | |
| Asset-backed | 199 | 1 | 5 | | | | (30) | | | | 175 | |
| Other | 72 | | 1 | 3 | | | (3) | | | | 73 | |
| Total securities available for sale | 1,647 | 21 | 22 | 3 | | | (197) | | | | 1,496 | |
| Loans | 647 | 20 | | 97 | (6) | | (63) (d) | | (8) (e) | 292 | 979 | 20 |
| Equity investments | 1,263 | 224 | | 132 | (79) | | | | | | 1,540 | 199 |
| Residential mortgage servicing rights | 673 | 154 | | 372 | | $ 37 | (160) | | | 35 | 1,111 | 154 |
| Commercial mortgage servicing rights | 569 | 110 | | 21 | | 39 | (57) | | | | 682 | 111 |
| Financial derivatives | 118 | 46 | | 3 | | | (85) | | | 5 | 87 | 46 |
| Total assets | $ 5,137 | $ 575 | $ 22 | $ 666 | $ (143) | $ 76 | $ (589) | $ 8 | $ (18) | $ 571 | $ 6,305 | $ 531 |
| Liabilities | | | | | | | | | | | | |
| Other borrowed funds | $ 2 | | | | | $ 1 | $ (1) | | | | $ 2 | |
| Financial derivatives | 273 | $ (10) | | | $ 3 | | (73) | | | $ 7 | 200 | $ (11) |
| Other liabilities | 43 | 63 | | | | 317 | (299) | | | | 124 | 31 |
| Total liabilities | $ 318 | $ 53 | | | $ 3 | $ 318 | $ (373) | | | $ 7 | $ 326 | $ 20 |
| Net gains (losses) | | $ 522 (f) | | | | | | | | | | $ 511 (g) |

***Six Months Ended June 30, 2020***

| Level 3 Instruments Only<br>In millions | Fair Value Dec. 31, 2019 | Total realized / unrealized gains or losses for the period (a): Included in Earnings | Total realized / unrealized gains or losses for the period (a): 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 | | (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) |
| Financial derivatives | 54 | 151 | | 6 | | | (70) | | | 141 | 158 |
| 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) |

(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 73: Fair Value Measurements – Recurring Quantitative Information***

***June 30, 2021***

| Level 3 Instruments Only<br>Dollars in millions | Fair Value | Valuation Techniques | Unobservable Inputs | Range (Weighted-Average) (a) |
|---|---|---|---|---|
| Commercial mortgage loans held for sale | $ 52 | Discounted cash flow | Spread over the benchmark curve (b) | 620bps - 7,880bps (4,950bps) |
| Other consumer loans held for sale | 239 | Consensus pricing (c) | Loss severity | 4.8% - 95.0% (5.6%) |
| Residential mortgage-backed non-agency securities | 1,237 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% - 30.7% (11.1%) |
| | | | Constant default rate | 0.0% - 16.9% (4.7%) |
| | | | Loss severity | 25.0% -95.7% (48.1%) |
| | | | Spread over the benchmark curve (b) | 176bps weighted-average |
| Asset-backed securities | 175 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% - 40.0% (9.4%) |
| | | | Constant default rate | 1.4% - 6.0% (2.9%) |
| | | | Loss severity | 8.0% - 100.0% (54.5%) |
| | | | Spread over the benchmark curve (b) | 197bps weighted-average |
| Loans - Residential real estate | 662 | Consensus pricing (c) | Cumulative default rate | 3.6% - 100.0% (79.7%) |
| | | | Loss severity | 0.0% - 100.0% (9.6%) |
| | | | Discount rate | 4.8% - 6.8% (5.1%) |
| | 125 | Discounted cash flow | Loss severity | 8.0% weighted-average |
| | | | Discount rate | 3.2% weighted-average |
| Loans - Home equity | 19 | Consensus pricing (c) | Cumulative default rate | 3.6% -100.0% (83.9%) |
| | | | Loss severity | 0.0% - 98.4% (29.6%) |
| | | | Discount rate | 4.8% - 6.8% (6.2%) |
| | 173 | Consensus pricing (c) | Credit and liquidity discount | 0.0% - 100.0% (35.7%) |
| Equity investments | 1,540 | Multiple of adjusted earnings | Multiple of earnings | 4.0x - 28.7x (9.2x) |
| Residential mortgage servicing rights | 1,111 | Discounted cash flow | Constant prepayment rate | 0.0% - 37.8% (12.9%) |
| | | | Spread over the benchmark curve (b) | 362bps - 2,661bps (881bps) |
| Commercial mortgage servicing rights | 682 | Discounted cash flow | Constant prepayment rate | 4.6% - 14.3% (5.2%) |
| | | | Discount rate | 5.2% - 7.9% (7.6%) |
| Financial derivatives - Swaps related to sales of certain Visa Class B common shares | (182) | 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 2022 |
| Insignificant Level 3 assets, net of liabilities (d) | 146 | | | |
| Total Level 3 assets, net of liabilities (e) | $ 5,979 | | | |

***December 31, 2020***

| Level 3 Instruments Only<br>Dollars in millions | Fair Value | Valuation Techniques | Unobservable Inputs | Range (Weighted-Average) (a) |
|---|---|---|---|---|
| Commercial mortgage loans held for sale | $ 57 | Discounted cash flow | Spread over the benchmark curve (b) | 630bps - 5,275bps (3,406bps) |
| Residential mortgage-backed non-agency securities | 1,365 | 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% - 12.2% (4.7%) |
| | | | Loss severity | 25.0% - 95.7% (48.8%) |
| | | | Spread over the benchmark curve (b) | 242bps weighted-average |
| Asset-backed securities | 199 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% -22.0% (7.4%) |
| | | | Constant default rate | 1.0% - 6.0% (3.3%) |
| | | | Loss severity | 30.0% - 100.0% (58.1%) |
| | | | Spread over the benchmark curve (b) | 291bps weighted-average |
| Loans - Residential real estate | 434 | Consensus pricing (c) | Cumulative default rate | 3.6% - 100.0% (82.1%) |
| | | | Loss severity | 0.0% - 100.0% (11.2%) |
| | | | Discount rate | 4.8% - 6.8% (5.1%) |
| | 132 | Discounted cash flow | Loss severity | 8.0% weighted-average |
| | | | Discount rate | 3.2% weighted-average |
| Loans - Home equity | 21 | Consensus pricing (c) | Cumulative default rate | 3.6% - 100.0% (88.5%) |
| | | | Loss severity | 0.0% -98.4% (33.3%) |
| | | | Discount rate | 4.8% - 6.8% (6.3%) |
| | 60 | Consensus pricing (c) | Credit and Liquidity discount | 17.5% -97.0% (57.7%) |
| Equity investments | 1,263 | Multiple of adjusted earnings | Multiple of earnings | 5.0x - 15.9x (8.7x) |
| Residential mortgage servicing rights | 673 | Discounted cash flow | Constant prepayment rate | 0.0% - 77.5% (21.1%) |
| | | | Spread over the benchmark curve (b) | 325bps - 2,783bps (922bps) |
| Commercial mortgage servicing rights | 569 | Discounted cash flow | Constant prepayment rate | 4.0% - 16.1% (4.9%) |
| | | | Discount rate | 4.7% - 7.8% (7.3%) |
| Financial derivatives - Swaps related to sales of certain Visa Class B common shares | (252) | 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 2022 |
| Insignificant Level 3 assets, net of liabilities (d) | 298 | | | |
| Total Level 3 assets, net of liabilities (e) | $ 4,819 | | | |

(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 $6.3 billion and total Level 3 liabilities of $0.3 billion as of June 30, 2021 and $5.1 billion and $0.3 billion as of December 31, 2020, 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 74. For more information regarding the valuation methodologies of our financial assets measured at fair value on a nonrecurring basis, see Note 15 Fair Value in Item 8 of our 2020 Form 10-K.

Assets measured at fair value on a nonrecurring basis follow:

***Table 74: Fair Value Measurements – Nonrecurring (a) (b) (c)***

| In millions | Fair Value June 30 2021 | Fair Value December 31 2020 | Gains (Losses) Three months ended June 30 2021 | Gains (Losses) Three months ended June 30 2020 | Gains (Losses) Six months ended June 30 2021 | Gains (Losses) Six months ended June 30 2020 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Nonaccrual loans | $ 266 | $ 332 | $ 5 | $ (31) | $ (4) | $ (56) |
| OREO and foreclosed assets | 4 | 18 | | (1) | | (2) |
| Long-lived assets | 18 | 20 | (9) | (2) | (11) | (3) |
| Total assets | $ 288 | $ 370 | $ (4) | $ (34) | $ (15) | $ (61) |

(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 15 Fair Value in Item 8 of our 2020 Form 10-K.

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

***Table 75: Fair Value Option – Fair Value and Principal Balances***

| In millions | June 30, 2021 Fair Value | June 30, 2021 Aggregate Unpaid Principal Balance | June 30, 2021 Difference | December 31, 2020 Fair Value | December 31, 2020 Aggregate Unpaid Principal Balance | December 31, 2020 Difference |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Residential mortgage loans held for sale | | | | | | |
| Accruing loans less than 90 days past due | $ 1,451 | $ 1,404 | $ 47 | $ 831 | $ 793 | $ 38 |
| Accruing loans 90 days or more past due | 3 | 3 | | 4 | 4 | |
| Nonaccrual loans | 50 | 59 | (9) | 20 | 24 | (4) |
| Total | $ 1,504 | $ 1,466 | $ 38 | $ 855 | $ 821 | $ 34 |
| Commercial mortgage loans held for sale (a) | | | | | | |
| Accruing loans less than 90 days past due | $ 217 | $ 234 | $ (17) | $ 357 | $ 370 | $ (13) |
| Nonaccrual loans | | | | 5 | 6 | (1) |
| Total | $ 217 | $ 234 | $ (17) | $ 362 | $ 376 | $ (14) |
| Other consumer loans held for sale | | | | | | |
| Accruing loans less than 90 days past due | $ 239 | $ 252 | $ (13) | | | |
| Accruing loans 90 days or more past due | | 1 | (1) | | | |
| Total | $ 239 | $ 253 | $ (14) | | | |
| Loans | | | | | | |
| Accruing loans less than 90 days past due | $ 714 | $ 733 | $ (19) | $ 519 | $ 530 | $ (11) |
| Accruing loans 90 days or more past due | 290 | 308 | (18) | 283 | 295 | (12) |
| Nonaccrual loans | 723 | 1,013 | (290) | 563 | 820 | (257) |
| Total | $ 1,727 | $ 2,054 | $ (327) | $ 1,365 | $ 1,645 | $ (280) |
| Other assets | $ 98 | $ 102 | $ (4) | $ 81 | $ 69 | $ 12 |
| Liabilities | | | | | | |
| Other borrowed funds | $ 26 | $ 26 | | $ 32 | $ 33 | $ (1) |

(a) There were no accruing loans 90 days or more past due within this category at June 30, 2021 or December 31, 2020.

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

***Table 76: Fair Value Option – Changes in Fair Value (a)***

| | Gains (Losses) Three months ended | | Gains (Losses) Six months ended | |
|---|---|---|---|---|
| In millions | June 30 2021 | June 30 2020 | June 30 2021 | June 30 2020 |
| Assets | | | | |
| Residential mortgage loans held for sale | $ 57 | $ 52 | $ 73 | $ 98 |
| Commercial mortgage loans held for sale | $ 26 | $ 12 | $ 46 | $ 60 |
| Loans | $ 17 | $ 8 | $ 31 | $ 26 |
| Other assets | $ 8 | $ 9 | $ 22 | $ (27) |

(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, 2021 and December 31, 2020. For more information regarding the methods and assumptions used to estimate the fair values of financial instruments included in Table 77, see Note 15 Fair Value in Item 8 of our 2020 Form 10-K.

***Table 77: Additional Fair Value Information Related to Other Financial Instruments***

| | Carrying | Fair Value | | | |
|---|---|---|---|---|---|
| In millions | Amount | Total | Level 1 | Level 2 | Level 3 |
| **June 30, 2021** | | | | | |
| Assets | | | | | |
| Cash and due from banks | $ 8,724 | $ 8,724 | $ 8,724 | | |
| Interest-earning deposits with banks | 72,447 | 72,447 | | $ 72,447 | |
| Securities held to maturity | 1,489 | 1,598 | 891 | 484 | $ 223 |
| Net loans (excludes leases) | 280,872 | 286,818 | | | 286,818 |
| Other assets | 4,342 | 4,103 | | 4,038 | 65 |
| Total assets | $ 367,874 | $ 373,690 | $ 9,615 | $ 76,969 | $ 287,106 |
| Liabilities | | | | | |
| Time deposits | $ 19,885 | $ 19,771 | | $ 19,771 | |
| Borrowed funds | 34,003 | 34,740 | | 33,084 | $ 1,656 |
| Unfunded lending related commitments | 645 | 645 | | | 645 |
| Other liabilities | 428 | 428 | | 428 | |
| Total liabilities | $ 54,961 | $ 55,584 | | $ 53,283 | $ 2,301 |
| December 31, 2020 | | | | | |
| Assets | | | | | |
| Cash and due from banks | $ 7,017 | $ 7,017 | $ 7,017 | | |
| Interest-earning deposits with banks | 85,173 | 85,173 | | $ 85,173 | |
| Securities held to maturity | 1,445 | 1,604 | 920 | 489 | $ 195 |
| Net loans (excludes leases) | 228,788 | 233,688 | | | 233,688 |
| Other assets | 3,601 | 3,600 | | 3,559 | 41 |
| Total assets | $ 326,024 | $ 331,082 | $ 7,937 | $ 89,221 | $ 233,924 |
| Liabilities | | | | | |
| Time deposits | $ 19,692 | $ 19,662 | | $ 19,662 | |
| Borrowed funds | 36,488 | 37,192 | | 35,571 | $ 1,621 |
| Unfunded lending related commitments | 584 | 584 | | | 584 |
| Other liabilities | 413 | 413 | | 413 | |
| Total liabilities | $ 57,177 | $ 57,851 | | $ 55,646 | $ 2,205 |

The aggregate fair values in Table 77 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 71),
- 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,
- deposit liabilities with no defined or contractual maturities under ASU 2016-01, and
- insurance contracts.

## NOTE 12 FINANCIAL DERIVATIVES

We use a variety of financial derivatives to both mitigate exposure to market (primarily interest rate) and credit risks 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, 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 16 Financial Derivatives in the Notes to Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K.

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

***Table 78: Total Gross Derivatives (a)***

| In millions | June 30, 2021 Notional / Contract Amount | June 30, 2021 Asset Fair Value (b) | June 30, 2021 Liability Fair Value (c) | December 31, 2020 Notional / Contract Amount | December 31, 2020 Asset Fair Value (b) | December 31, 2020 Liability Fair Value (c) |
|---|---|---|---|---|---|---|
| Derivatives used for hedging | | | | | | |
| Interest rate contracts (d): | | | | | | |
| Fair value hedges | $ 25,293 | | | $ 24,153 | | |
| Cash flow hedges | 35,405 | $ 20 | $ 13 | 22,875 | $ 14 | |
| Foreign exchange contracts: | | | | | | |
| Net investment hedges | 1,100 | | 33 | 1,075 | | $ 22 |
| **Total derivatives designated for hedging** | $ 61,798 | $ 20 | $ 46 | $ 48,103 | $ 14 | $ 22 |
| Derivatives not used for hedging | | | | | | |
| Derivatives used for mortgage banking activities (e): | | | | | | |
| Interest rate contracts: | | | | | | |
| Swaps | $ 32,917 | | $ 1 | $ 50,511 | | |
| Futures (f) | 3,930 | | | 2,841 | | |
| Mortgage-backed commitments | 11,609 | $ 104 | 58 | 11,288 | $ 147 | $ 77 |
| Other | 12,884 | 47 | 24 | 1,831 | 11 | 2 |
| Total interest rate contracts | 61,340 | 151 | 83 | 66,471 | 158 | 79 |
| Derivatives used for customer-related activities: | | | | | | |
| Interest rate contracts: | | | | | | |
| Swaps | 309,609 | 4,395 | 1,570 | 280,125 | 5,475 | 1,601 |
| Futures (f) | 981 | | | 1,235 | | |
| Mortgage-backed commitments | 4,236 | 10 | 8 | 4,178 | 11 | 14 |
| Other | 22,169 | 148 | 103 | 20,125 | 193 | 88 |
| Total interest rate contracts | 336,995 | 4,553 | 1,681 | 305,663 | 5,679 | 1,703 |
| Commodity contracts: | | | | | | |
| Swaps | 8,535 | 1,207 | 1,223 | 6,149 | 350 | 323 |
| Other | 3,435 | 262 | 262 | 2,770 | 61 | 61 |
| Total commodity contracts | 11,970 | 1,469 | 1,485 | 8,919 | 411 | 384 |
| Foreign exchange contracts and other | 27,368 | 198 | 194 | 26,620 | 267 | 243 |
| Total derivatives for customer-related activities | 376,333 | 6,220 | 3,360 | 341,202 | 6,357 | 2,330 |
| Derivatives used for other risk management activities: | | | | | | |
| Foreign exchange contracts and other | 13,639 | 56 | 230 | 10,931 | 4 | 325 |
| **Total derivatives not designated for hedging** | $ 451,312 | $ 6,427 | $ 3,673 | $ 418,604 | $ 6,519 | $ 2,734 |
| **Total gross derivatives** | $ 513,110 | $ 6,447 | $ 3,719 | $ 466,707 | $ 6,533 | $ 2,756 |
| Less: Impact of legally enforceable master netting agreements | | 919 | 919 | | 720 | 720 |
| Less: Cash collateral received/paid | | 859 | 2,078 | | 1,434 | 1,452 |
| **Total derivatives** | | $ 4,669 | $ 722 | | $ 4,379 | $ 584 |

(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 are settled in cash daily and result in no derivative asset or derivative liability being 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 12. 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 and interest rate caps and floors 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 hedging instruments 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, 2021, we expect to reclassify net derivative gains of $330 million pretax, or $254 million after-tax, from AOCI to interest income for these 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, 2021. As of June 30, 2021, 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 79: 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, 2021** | | | | |
| Total amounts on the Consolidated Income Statement | $ 2,160 | $ 469 | $ 90 | $ 468 |
| Gains (losses) on fair value hedges recognized on: | | | | |
| Hedged items (c) | | $ 3 | $ (106) | |
| Derivatives | | $ (2) | $ 93 | |
| Amounts related to interest settlements on derivatives | | $ (1) | $ 131 | |
| Gains (losses) on cash flow hedges (d): | | | | |
| Amount of derivative gains (losses) reclassified from AOCI | $ 91 | $ 16 | | $ 1 |
| 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 six months ended June 30, 2021** | | | | |
| Total amounts on the Consolidated Income Statement | $ 4,156 | $ 890 | $ 185 | $ 951 |
| Gains (losses) on fair value hedges recognized on: | | | | |
| Hedged items (c) | | $ (5) | $ 540 | |
| Derivatives | | $ 7 | $ (571) | |
| Amounts related to interest settlements on derivatives | | $ (2) | $ 265 | |
| Gains (losses) on cash flow hedges (d): | | | | |
| Amount of derivative gains (losses) reclassified from AOCI | $ 191 | $ 38 | | $ 14 |
| 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 |

(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 80: Hedged Items - Fair Value Hedges***

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| 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) | $ 2,901 | $ 23 | $ 2,785 | $ 30 |
| Borrowed funds | $ 25,512 | $ 1,065 | $ 25,797 | $ 1,611 |

(a) Includes $(0.1) billion of fair value hedge adjustments primarily related to discontinued borrowed funds hedge relationships at both June 30, 2021 and December 31, 2020, 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. Net gains (losses) on net investment hedge derivatives recognized in OCI were $(4) million and $(12) million for the three and six months ended June 30, 2021, compared with $5 million and $80 million for the same periods in 2020, respectively.

**Derivatives Not Designated As Hedging Instruments**

For additional information on derivatives not designated as hedging instruments under GAAP, see Note 16 Financial Derivatives in the Notes to Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K.

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

***Table 81: Gains (Losses) on Derivatives Not Designated for Hedging***

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| In millions | 2021 | 2020 | 2021 | 2020 |
| Derivatives used for mortgage banking activities: | | | | |
| Interest rate contracts (a) | $ 216 | $ 125 | $ (106) | $ 779 |
| Derivatives used for customer-related activities: | | | | |
| Interest rate contracts | 15 | 38 | 97 | 40 |
| Foreign exchange contracts and other | 43 | 29 | 65 | 40 |
| Gains (losses) from customer-related activities (b) | 58 | 67 | 162 | 80 |
| Derivatives used for other risk management activities: | | | | |
| Foreign exchange contracts and other (b) | (29) | (102) | 19 | 105 |
| Total gains (losses) from derivatives not designated as hedging instruments | $ 245 | $ 90 | $ 75 | $ 964 |

(a) Included in Residential mortgage, Corporate services and Other noninterest income on our Consolidated Income Statement.
(b) 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 16 Financial Derivatives in the Notes to Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K.

Table 82 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of June 30, 2021 and December 31, 2020. 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 82 includes 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 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 82: 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, 2021** | | | | | | | |
| Derivative assets | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 27 | | | $ 27 | | | $ 27 |
| Over-the-counter | 4,697 | $ 556 | $ 830 | 3,311 | | $ 388 | 2,923 |
| Commodity contracts | 1,469 | 250 | 15 | 1,204 | | | 1,204 |
| Foreign exchange and other contracts | 254 | 113 | 14 | 127 | | 1 | 126 |
| Total derivative assets | $ 6,447 | $ 919 | $ 859 | $ 4,669 | (a) | $ 389 | $ 4,280 |
| Derivative liabilities | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 21 | | | $ 21 | | | $ 21 |
| Over-the-counter | 1,756 | $ 597 | $ 949 | 210 | | | 210 |
| Commodity contracts | 1,485 | 253 | 997 | 235 | | | 235 |
| Foreign exchange and other contracts | 457 | 69 | 132 | 256 | | | 256 |
| Total derivative liabilities | $ 3,719 | $ 919 | $ 2,078 | $ 722 | (b) | | $ 722 |
| December 31, 2020 | | | | | | | |
| Derivative assets | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 48 | | | $ 48 | | | $ 48 |
| Over-the-counter | 5,803 | $ 430 | $ 1,426 | 3,947 | | $ 531 | 3,416 |
| Commodity contracts | 411 | 209 | 4 | 198 | | | 198 |
| Foreign exchange and other contracts | 271 | 81 | 4 | 186 | | 1 | 185 |
| Total derivative assets | $ 6,533 | $ 720 | $ 1,434 | $ 4,379 | (a) | $ 532 | $ 3,847 |
| Derivative liabilities | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 42 | | | $ 42 | | | $ 42 |
| Over-the-counter | 1,740 | $ 462 | $ 1,179 | 99 | | | 99 |
| Commodity contracts | 384 | 182 | 103 | 99 | | | 99 |
| Foreign exchange and other contracts | 590 | 76 | 170 | 344 | | | 344 |
| Total derivative liabilities | $ 2,756 | $ 720 | $ 1,452 | $ 584 | (b) | | $ 584 |

(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, 2021, we held cash, U.S. government securities and mortgage-backed securities totaling $1.5 billion under master netting agreements and other collateral agreements to collateralize net derivative assets due from counterparties, and we pledged cash totaling $2.7 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, 2021 was $2.6 billion for which we had posted collateral of $2.2 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, 2021 would be $0.4 billion.

## Note 13 Legal Proceedings

We establish accruals for legal proceedings, including litigation and regulatory and governmental investigations and inquiries, when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changed circumstances. When we are able to do so, we also determine estimates of possible losses or ranges of possible losses, whether in excess of any related accrued liability or where there is no accrued liability, for disclosed legal proceedings ("Disclosed Matters," which are those matters disclosed in this Note 13 as well as those matters disclosed in Note 21 Legal Proceedings in Part II, Item 8 of our 2020 Form 10-K and in Note 13 Legal Proceedings in Part I, Item 1 of our first quarter 2021 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, 2021, 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 21 Legal Proceedings in Part II, Item 8 of our 2020 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.

**USAA Patent Infringement Litigation**

In June 2021, in *United Services Automobile Association v. PNC Bank N.A.* (Case No. 2:20-cv-319), pending in the United States District Court for the Eastern District of Texas ("the Texas case"), USAA filed an answer to PNC Bank's counterclaims and asserted a counterclaim in reply seeking a declaratory judgment that two of the asserted PNC Bank patents are unenforceable due to inequitable conduct and unclean hands prosecution of the patents.

In June 2021, in *PNC Bank, N.A. v. United Services Automobile Association* (Case No. 2:20-cv-1886), pending in the United States District Court for the Western District of Pennsylvania, the court stayed this case pending a decision on the motion to transfer filed by PNC Bank in the Texas case.

In July 2021, USAA filed a third lawsuit (*United Services Automobile Association v. PNC Bank N.A.* (Case No. 2:21-cv-246)) in the United States District Court for the Eastern District of Texas against PNC Bank for patent infringement. The complaint alleges that PNC's mobile remote deposit capture systems, including its new versions, infringe three patents owned by the plaintiff. The plaintiff seeks, among other things, a judgment that PNC is infringing each of the patents, damages for willful infringement, and attorneys' fees.

**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 have involved and may in the future involve or lead to regulatory enforcement actions and other administrative proceedings. These inquiries have also led to and may in the future 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 14 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.

Our business segment results for the three and six months ended June 30, 2021 reflect BBVA's business operations for the month of June 2021 and our balance sheet at June 30, 2021 includes BBVA's balances. Until conversion of bank systems and branches, PNC Bank and BBVA USA customers will continue to be served through their respective PNC Bank and BBVA USA branches, websites and mobile apps, financial advisors and relationship managers. Upon conversion, which is expected to occur in October 2021, there will be changes in the segmentation of BBVA customers as we integrate data to PNC applications, finalize the review of customer relationships and better align customers with PNC's products and services. See Note 2 Acquisition and Divestiture Activity for additional information on the acquisition of BBVA.

During the second quarter of 2020, we divested our entire22.4% investment in BlackRock, which had previously been reported as a separate business segment. See Note 2 Acquisition and Divestiture Activity for additional information.

Total business segment financial results differ from total consolidated net income. These differences are reflected in the “Other” category in Table 83. “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). The “Other” category also included our BlackRock held for sale asset for the three and six months ended June 30, 2020. Assets, revenue and earnings attributable to foreign activities were not material in the periods 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 83: Results of Businesses***

| Three months ended June 30<br>In millions | Retail Banking | Corporate & Institutional Banking | Asset Management Group | Other | Consolidated (a) |
|---|---|---|---|---|---|
| **2021** | | | | | |
| **Income Statement** | | | | | |
| Net interest income | $ 1,497 | $ 1,083 | $ 112 | $ (111) | $ 2,581 |
| Noninterest income | 706 | 867 | 244 | 269 | 2,086 |
| Total revenue | 2,203 | 1,950 | 356 | 158 | 4,667 |
| Provision for (recapture of) credit losses | 214 | 104 | 23 | (39) | 302 |
| Depreciation and amortization | 73 | 51 | 5 | 127 | 256 |
| Other noninterest expense | 1,604 | 762 | 214 | 214 | 2,794 |
| Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests | 312 | 1,033 | 114 | (144) | 1,315 |
| Income taxes (benefit) from continuing operations | 73 | 220 | 27 | (108) | 212 |
| Net income (loss) from continuing operations | 239 | 813 | 87 | (36) | 1,103 |
| Less: Net income attributable to noncontrolling interests | 7 | 4 | | 1 | 12 |
| Net income (loss) from continuing operations excluding noncontrolling interests | $ 232 | $ 809 | $ 87 | $ (37) | $ 1,091 |
| Average Assets | $ 100,948 | $ 181,770 | $ 10,640 | $ 211,071 | $ 504,429 |
| 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 | 1,430 | 619 | 205 | 10 | 2,264 |
| Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests | (283) | (477) | 37 | (179) | (902) |
| Income taxes (benefit) from continuing operations | (63) | (122) | 9 | 18 | (158) |
| Net income (loss) from continuing operations | (220) | (355) | 28 | (197) | (744) |
| Less: Net income attributable to noncontrolling interests | 3 | 3 | | 1 | 7 |
| Net income (loss) from continuing operations excluding noncontrolling interests | $ (223) | $ (358) | $ 28 | $ (198) | $ (751) |
| Average Assets | $ 102,103 | $ 199,254 | $ 7,958 | $ 147,998 | $ 457,313 |

(Continued from previous page)

| Six months ended June 30<br>In millions | Retail Banking | Corporate & Institutional Banking | Asset Management Group | Other | Consolidated (a) |
|---|---|---|---|---|---|
| **2021** | | | | | |
| **Income Statement** | | | | | |
| Net interest income | $ 2,859 | $ 2,074 | $ 205 | $ (209) | $ 4,929 |
| Noninterest income | 1,360 | 1,674 | 473 | 451 | 3,958 |
| Total revenue | 4,219 | 3,748 | 678 | 242 | 8,887 |
| Provision for (recapture of) credit losses | (43) | (178) | 14 | (42) | (249) |
| Depreciation and amortization | 136 | 98 | 9 | 247 | 490 |
| Other noninterest expense | 3,017 | 1,426 | 412 | 279 | 5,134 |
| Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests | 1,109 | 2,402 | 243 | (242) | 3,512 |
| Income taxes (benefit) from continuing operations | 256 | 528 | 57 | (258) | 583 |
| Net income from continuing operations | 853 | 1,874 | 186 | 16 | 2,929 |
| Less: Net income attributable to noncontrolling interests | 14 | 7 | | 1 | 22 |
| Net income from continuing operations excluding noncontrolling interests | $ 839 | $ 1,867 | $ 186 | $ 15 | $ 2,907 |
| Average Assets | $ 96,942 | $ 176,182 | $ 9,761 | $ 203,540 | $ 486,425 |
| 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 | 2,901 | 1,293 | 413 | (40) | 4,567 |
| Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests | (12) | (13) | 107 | (105) | (23) |
| Income taxes (benefit) from continuing operations | (1) | (28) | 25 | (34) | (38) |
| Net income (loss) from continuing operations | (11) | 15 | 82 | (71) | 15 |
| Less: Net income attributable to noncontrolling interests | 11 | 3 | | | 14 |
| Net income (loss) from continuing operations excluding noncontrolling interests | $ (22) | $ 12 | $ 82 | $ (71) | $ 1 |
| Average Assets | $ 99,583 | $ 185,878 | $ 7,880 | $ 141,533 | $ 434,874 |

(a) There were no material intersegment revenues for the three and six months ended June 30, 2021 and 2020.

**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, Southeast and Southwest. Our national expansion strategy is designed to grow customers with digitally-led banking and a 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, fixed income, 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 two distinct operating units:

- Personal Wealth Management, inclusive of Hawthorn, 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. The business also 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 retirement plan fiduciary investment services to institutional clients including corporations, healthcare systems, insurance companies, unions, municipalities and non-profits.

## NOTE 15 FEE-BASED REVENUE FROM CONTRACTS WITH CUSTOMERS

As more fully described in Note 24 Fee-based Revenue from Contracts with Customers in our 2020 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 ourthree reportable business segments: Retail Banking, Corporate & Institutional Banking and Asset Management Group. 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 are outside of the scope of Topic 606.

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 2020 Form 10-K.

### Retail Banking

***Table 84: Retail Banking Noninterest Income Disaggregation***

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| In millions | 2021 | 2020 | 2021 | 2020 |
| **Product** | | | | |
| Debit card fees | $ 164 | $ 120 | $ 302 | $ 249 |
| Deposit account fees | 117 | 73 | 225 | 231 |
| Brokerage fees | 109 | 86 | 211 | 179 |
| Net credit card fees (a) | 57 | 39 | 104 | 80 |
| Merchant services | 47 | 23 | 79 | 72 |
| Other | 68 | 52 | 125 | 108 |
| Total in-scope noninterest income by product | $ 562 | $ 393 | $ 1,046 | $ 919 |
| **Reconciliation to total Retail Banking noninterest income** | | | | |
| Total in-scope noninterest income | $ 562 | $ 393 | $ 1,046 | $ 919 |
| Total out-of-scope noninterest income (b) | 144 | 192 | 314 | 454 |
| Total Retail Banking noninterest income | $ 706 | $ 585 | $ 1,360 | $ 1,373 |

(a) Net credit card fees consists of interchange fees of $ 146 million and $ 102 million and credit card reward costs of $ 89 million and $ 63 million for the three months ended June 30, 2021 and 2020, respectively. Net credit card fees consists of interchange fees of $266 million and $220 million and credit card reward costs of $ 162 million and $140 million for the six months ended June 30, 2021 and June 30, 2020, 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 85: Corporate & Institutional Banking Noninterest Income Disaggregation*

| In millions | Three months ended June 30 2021 | Three months ended June 30 2020 | Six months ended June 30 2021 | Six months ended June 30 2020 |
|---|---|---|---|---|
| **Product** | | | | |
| Treasury management fees | $ 279 | $ 218 | $ 514 | $ 434 |
| Capital markets fees | 232 | 187 | 424 | 362 |
| Commercial mortgage banking activities | 35 | 24 | 66 | 50 |
| Other | 18 | 17 | 47 | 37 |
| Total in-scope noninterest income by product | $ 564 | $ 446 | $ 1,051 | $ 883 |
| **Reconciliation to total Corporate & Institutional Banking noninterest income** | | | | |
| Total in-scope noninterest income | $ 564 | $ 446 | $ 1,051 | $ 883 |
| Total out-of-scope noninterest income (a) | 303 | 280 | 623 | 537 |
| Total Corporate & Institutional Banking noninterest income | $ 867 | $ 726 | $ 1,674 | $ 1,420 |

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

**Treasury Management Fees**
Corporate & Institutional Banking provides corporations with cash and investment management services, receivables and disbursement management services, funds transfer services, international payment services and access to online/mobile information management and reporting services. Within Treasury Management, PNC Global Transfers (formerly BBVA Transfer Services, Inc.) provides wholesale money transfer processing capabilities throughout Mexico, Central America, South America and the Caribbean. Treasury management fees are primarily recognized over time as we perform these services.

## Asset Management Group

*Table 86: Asset Management Group Noninterest Income Disaggregation*

| In millions | Three months ended June 30 2021 | Three months ended June 30 2020 | Six months ended June 30 2021 | Six months ended June 30 2020 |
|---|---|---|---|---|
| **Customer Type** | | | | |
| Personal | $ 185 | $ 151 | $ 358 | $ 301 |
| Institutional | 56 | 48 | 109 | 99 |
| Total in-scope noninterest income by customer type (a) | $ 241 | $ 199 | $ 467 | $ 400 |
| **Reconciliation to Asset Management Group noninterest income** | | | | |
| Total in-scope noninterest income | $ 241 | $ 199 | $ 467 | $ 400 |
| Total out-of-scope noninterest income (b) | 3 | 5 | 6 | 8 |
| Total Asset Management Group noninterest income | $ 244 | $ 204 | $ 473 | $ 408 |

(a) Amounts include $239 million of Asset Management Fees and $2 million of Brokerage Fees for the three months ended June 30, 2021. Amounts include $ 465 million of Asset Management Fees and $2 million of Brokerage Fees for the six months ended June 30, 2021. As described in the "Asset Management Services and Brokerage Fees" narrative following this table 86, Brokerage Fees were assumed by the Asset Management Group as a result of the BBVA acquisition and reflect fee revenue for the month ended June 30, 2021.
(b) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

**Asset Management Services and Brokerage Fees**
Asset Management Group provides both personal wealth and institutional asset management services including investment management, custody services, retirement planning, family planning, trust management and retirement plan fiduciary investment services. As a result of the acquisition of BBVA, the Asset Management Group assumed approximately $5.4 billion of brokerage account client assets, resulting in $2 million of brokerage fee revenue, included in the table above for the month ended June 30, 2021. We recognize fee revenue over the term of the customer contract based on the value of assets under management at a point in time.

## NOTE 16 SUBSEQUENT EVENTS

On July 22, 2021, The PNC Financial Services Group, Inc announced the redemption on August 4, 2021 of all of the outstanding senior notes due September 3, 2021 issued by PNC in the amount of $500 million. The securities have a distribution rate of 3.250% and an original scheduled maturity date of September 3, 2021. The redemption price will be equal to $1,000 per $1,000 in principal amount, plus any accrued and unpaid distributions to the redemption date of August 4, 2021.

# 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 | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| Taxable-equivalent basis<br>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 | $ 50,700 | $ 421 | 1.66 % | $ 51,068 | $ 626 | 2.45 % |
| Non-agency | 1,189 | 45 | 7.54 % | 1,573 | 59 | 7.51 % |
| Commercial mortgage-backed | 6,354 | 81 | 2.54 % | 6,983 | 96 | 2.76 % |
| Asset-backed | 5,581 | 55 | 1.96 % | 5,156 | 73 | 2.82 % |
| U.S. Treasury and government agencies | 27,392 | 200 | 1.45 % | 15,697 | 161 | 2.03 % |
| Other | 4,835 | 75 | 3.13 % | 4,488 | 81 | 3.57 % |
| Total securities available for sale | 96,051 | 877 | 1.82 % | 84,965 | 1,096 | 2.58 % |
| Securities held to maturity | | | | | | |
| Asset-backed | | | | 37 | | 2.65 % |
| U.S. Treasury and government agencies | 800 | 11 | 2.85 % | 781 | 11 | 2.84 % |
| Other | 660 | 13 | 3.91 % | 643 | 14 | 4.38 % |
| Total securities held to maturity | 1,460 | 24 | 3.33 % | 1,461 | 25 | 3.51 % |
| Total investment securities | 97,511 | 901 | 1.85 % | 86,426 | 1,121 | 2.59 % |
| Loans | | | | | | |
| Commercial and industrial | 133,966 | 1,954 | 2.90 % | 141,159 | 2,278 | 3.19 % |
| Commercial real estate | 30,113 | 434 | 2.86 % | 28,491 | 466 | 3.23 % |
| Equipment lease financing | 6,332 | 121 | 3.83 % | 7,051 | 137 | 3.88 % |
| Consumer | 51,744 | 1,231 | 4.80 % | 57,082 | 1,454 | 5.12 % |
| Residential real estate | 24,764 | 435 | 3.51 % | 22,060 | 431 | 3.91 % |
| Total loans | 246,919 | 4,175 | 3.38 % | 255,843 | 4,766 | 3.71 % |
| Interest-earning deposits with banks | 81,947 | 43 | 0.10 % | 26,085 | 65 | 0.50 % |
| Other interest-earning assets | 7,955 | 95 | 2.40 % | 10,167 | 144 | 2.84 % |
| Total interest-earning assets/interest income | 434,332 | 5,214 | 2.40 % | 378,521 | 6,096 | 3.21 % |
| Noninterest-earning assets | 52,093 | | | 56,353 | | |
| Total assets | $ 486,425 | | | $ 434,874 | | |
| **Liabilities and Equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits | | | | | | |
| Money market | $ 62,053 | $ 9 | 0.03 % | $ 57,317 | $ 118 | 0.41 % |
| Demand | 95,376 | 16 | 0.03 % | 76,906 | 88 | 0.23 % |
| Savings | 85,129 | 22 | 0.05 % | 72,661 | 195 | 0.54 % |
| Time deposits | 18,246 | 23 | 0.26 % | 21,506 | 115 | 1.06 % |
| Total interest-bearing deposits | 260,804 | 70 | 0.05 % | 228,390 | 516 | 0.45 % |
| Borrowed funds | | | | | | |
| Federal Home Loan Bank borrowings | 1,332 | 3 | 0.42 % | 13,000 | 89 | 1.36 % |
| Bank notes and senior debt | 22,709 | 116 | 1.01 % | 29,143 | 295 | 2.00 % |
| Subordinated debt | 6,074 | 42 | 1.39 % | 5,935 | 69 | 2.32 % |
| Other | 4,555 | 24 | 1.07 % | 7,131 | 48 | 1.34 % |
| Total borrowed funds | 34,670 | 185 | 1.06 % | 55,209 | 501 | 1.80 % |
| Total interest-bearing liabilities/interest expense | 295,474 | 255 | 0.17 % | 283,599 | 1,017 | 0.71 % |
| Noninterest-bearing liabilities and equity: | | | | | | |
| Noninterest-bearing deposits | 122,843 | | | 84,086 | | |
| Accrued expenses and other liabilities | 14,508 | | | 16,712 | | |
| Equity | 53,600 | | | 50,477 | | |
| Total liabilities and equity | $ 486,425 | | | $ 434,874 | | |
| Interest rate spread | | | 2.23 % | | | 2.50 % |
| Impact of noninterest-bearing sources | | | 0.05 | | | 0.17 |
| Net interest income/margin | | $ 4,959 | 2.28 % | | $ 5,079 | 2.67 % |

(continued on following page)

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

| Taxable-equivalent basis<br>Dollars in millions | Three months ended June 30<br>2021<br>Average Balances | Interest Income/Expense | Average Yields/Rates | 2020<br>Average Balances | Interest Income/ Expense | Average Yields/ Rates |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Interest-earning assets: | | | | | | |
| Investment securities | | | | | | |
| Securities available for sale | | | | | | |
| Residential mortgage-backed | | | | | | |
| Agency | $ 56,042 | $ 226 | 1.61 % | $ 52,500 | $ 300 | 2.29 % |
| Non-agency | 1,142 | 23 | 7.85 % | 1,529 | 27 | 7.13 % |
| Commercial mortgage-backed | 6,465 | 41 | 2.49 % | 7,232 | 46 | 2.59 % |
| Asset-backed | 5,855 | 31 | 2.07 % | 5,309 | 35 | 2.60 % |
| U.S. Treasury and government agencies | 32,419 | 106 | 1.30 % | 15,457 | 69 | 1.77 % |
| Other | 5,107 | 36 | 3.00 % | 4,952 | 44 | 3.47 % |
| Total securities available for sale | 107,030 | 463 | 1.73 % | 86,979 | 521 | 2.39 % |
| Securities held to maturity | | | | | | |
| Asset-backed | | | | 22 | | 2.38 % |
| U.S. Treasury and government agencies | 802 | 5 | 2.86 % | 783 | 5 | 2.84 % |
| Other | 671 | 7 | 3.67 % | 646 | 7 | 4.27 % |
| Total securities held to maturity | 1,473 | 12 | 3.23 % | 1,451 | 12 | 3.47 % |
| Total investment securities | 108,503 | 475 | 1.75 % | 88,430 | 533 | 2.41 % |
| Loans | | | | | | |
| Commercial and industrial | 137,892 | 1,006 | 2.89 % | 153,595 | 1,098 | 2.83 % |
| Commercial real estate | 31,611 | 234 | 2.92 % | 28,707 | 206 | 2.84 % |
| Equipment lease financing | 6,332 | 59 | 3.76 % | 7,035 | 68 | 3.82 % |
| Consumer | 52,575 | 632 | 4.82 % | 56,485 | 683 | 4.86 % |
| Residential real estate | 27,197 | 238 | 3.50 % | 22,292 | 215 | 3.86 % |
| Total loans | 255,607 | 2,169 | 3.38 % | 268,114 | 2,270 | 3.37 % |
| Interest-earning deposits with banks | 78,522 | 22 | 0.11 % | 34,600 | 9 | 0.10 % |
| Other interest-earning assets | 8,079 | 50 | 2.46 % | 10,867 | 62 | 2.26 % |
| Total interest-earning assets/interest income | 450,711 | 2,716 | 2.40 % | 402,011 | 2,874 | 2.85 % |
| Noninterest-earning assets | 53,718 | | | 55,302 | | |
| Total assets | $ 504,429 | | | $ 457,313 | | |
| **Liabilities and Equity** | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Interest-bearing deposits | | | | | | |
| Money market | $ 64,990 | $ 4 | 0.03 % | $ 61,346 | $ 23 | 0.15 % |
| Demand | 99,091 | 7 | 0.03 % | 82,881 | 16 | 0.08 % |
| Savings | 87,307 | 10 | 0.05 % | 75,345 | 57 | 0.31 % |
| Time deposits | 18,048 | 9 | 0.20 % | 21,873 | 45 | 0.80 % |
| Total interest-bearing deposits | 269,436 | 30 | 0.05 % | 241,445 | 141 | 0.23 % |
| Borrowed funds | | | | | | |
| Federal Home Loan Bank borrowings | 265 | | 0.35 % | 12,559 | 31 | 1.00 % |
| Bank notes and senior debt | 22,620 | 56 | 0.98 % | 28,298 | 112 | 1.56 % |
| Subordinated debt | 6,218 | 21 | 1.35 % | 5,937 | 29 | 1.91 % |
| Other | 5,046 | 13 | 0.97 % | 6,435 | 15 | 0.92 % |
| Total borrowed funds | 34,149 | 90 | 1.04 % | 53,229 | 187 | 1.39 % |
| Total interest-bearing liabilities/interest expense | 303,585 | 120 | 0.16 % | 294,674 | 328 | 0.44 % |
| Noninterest-bearing liabilities and equity: | | | | | | |
| Noninterest-bearing deposits | 132,283 | | | 93,776 | | |
| Accrued expenses and other liabilities | 14,755 | | | 16,989 | | |
| Equity | 53,806 | | | 51,874 | | |
| Total liabilities and equity | $ 504,429 | | | $ 457,313 | | |
| Interest rate spread | | | 2.24 % | | | 2.41 % |
| Impact of noninterest-bearing sources | | | 0.05 | | | 0.11 |
| Net interest income/margin | | $ 2,596 | 2.29 % | | $ 2,546 | 2.52 % |

(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, 2021 and June 30, 2020 were $42 million and $35 million, respectively. Loan fees for the six months ended June 30, 2021 and June 30, 2020 were $97 million and $79 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)

| In millions | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Three months ended June 30, 2021 | Three months ended June 30, 2020 |
|---|---|---|---|---|
| Net interest income (GAAP) | $ 4,929 | $ 5,038 | $ 2,581 | $ 2,527 |
| Taxable-equivalent adjustments | 30 | 41 | 15 | 19 |
| Net interest income (Non-GAAP) | $ 4,959 | $ 5,079 | $ 2,596 | $ 2,546 |

(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.

## Glossary

### Defined Terms

For a glossary of terms commonly used in our filings, please see the glossary of terms included inour 2020 Form 10-K.

### Acronyms

| | | | |
|---|---|---|---|
| **ACL** | Allowance for credit losses | **LIHTC** | Low income housing tax credit |
| **ALLL** | Allowance for loan and lease losses | **LLC** | Limited liability company |
| **AOCI** | Accumulated other comprehensive income | **LTV** | Loan-to-value ratio |
| **ASC** | Accounting Standards Codification | **MD&A** | Management’s Discussion and Analysis of Financial Condition and Results of Operations |
| **ASU** | Accounting Standards Update | **MSR** | Mortgage servicing right |
| **BBVA** | BBVA USA Bancshares, Inc. | **NAICS** | North American Industry Classification System |
| **BBVA, S.A.** | Banco Bilbao Vizcaya Argentaria, S.A. | **NSFR** | Net Stable Funding Ratio |
| **BBVA USA** | BBVA USA, the Alabama-chartered bank subsidiary of BBVA USA Bancshares, Inc. | **OCC** | Office of the Comptroller of the Currency |
| **BHC** | Bank holding company | **OCI** | Other comprehensive income |
| **bps** | Basis points | **OREO** | Other real estate owned |
| **CARES Act** | Coronavirus Aid, Relief and Economic Security Act | **OTC** | Over-the-counter |
| **CCAR** | Comprehensive Capital Analysis and Review | **PCD** | Purchased credit deteriorated |
| **CECL** | Current expected credit losses | **PD** | Probability of default |
| **CET1** | Common equity tier 1 | **PPP** | Paycheck Protection Program |
| **CFPB** | Consumer Financial Protection Bureau | **RAC** | PNC’s Reserve Adequacy Committee |
| **CRA** | Community Reinvestment Act | **ROAP** | Removal of account provisions |
| **FHLB** | Federal Home Loan Bank | **SBA** | Small Business Administration |
| **FHLMC** | Federal Home Loan Mortgage Corporation | **SCB** | Stress capital buffer |
| **FICO** | Fair Isaac Corporation (credit score) | **SEC** | Securities and Exchange Commission |
| **FNMA** | Federal National Mortgage Association | **SLR** | Supplementary leverage ratio |
| **FOMC** | Federal Open Market Committee | **SOFR** | Secured Overnight Financing Rate |
| **GAAP** | Accounting principles generally accepted in the United States of America | **SPE** | Special purpose entity |
| **GDP** | Gross Domestic Product | **TDR** | Troubled debt restructuring |
| **HQLA** | High quality, unencumbered liquid assets | **U.S.** | United States of America |
| **ISDA** | International Swaps and Derivatives Association | **VA** | Department of Veterans Affairs |
| **LCR** | Liquidity Coverage Ratio | **VaR** | Value-at-risk |
| **LGD** | Loss given default | **VIE** | Variable interest entity |
| **LIBOR** | London Interbank Offered Rate | | |

# PART II – OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

See the information set forth in Note 13 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 2020 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 the second quarter of 2021 are included in the following table.

| 2021 period<br>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 | 5 | $ 178.98 | | 75,109 |
| May 1 - 31 | | | | 75,109 |
| June 1 - 30 | | | | 75,109 |
| Total | 5 | $ 178.98 | | |

(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. See Note 17 Employee Benefit Plans and Note 18 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements included in Item 8 of our 2020 Form 10-K which 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 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 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. 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. We continued the suspension through the second quarter of 2021, with the exception of employee benefit-related purchases in the third quarter of 2020, consistent with extension of the Federal Reserves's special capital distribution restrictions. During the second quarter of 2021, PNC announced the reinstatement of share repurchase programs with repurchases of up to $2.9 billion for the four-quarter period beginning in the third quarter of 2021.

## 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

| | |
|---|---|
| 2.1.2 | Amendment No. 1 to the Purchase Agreement* |
| 10.35 | 2021 Form of Performance Share Units Award Agreement |
| 10.36 | 2021 Form of Restricted Share Units Award Agreement |
| 10.37 | 2021 Form of Restricted Share Units Award Agreement – Senior Leader Program |
| 22 | Subsidiary Issuers of Guaranteed Securities |
| 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 schedules and similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to provide a copy of the omitted schedules and similar attachments on a supplemental basis to the Securities and Exchange Commission or its staff, if requested.
** 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

**Internet Information**

The PNC Financial Services Group, Inc.'s financial reports and information about its products and services are available on the internet at www.pnc.com. 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 the regulatory capital rules adopted by the Federal banking agencies. Similarly, the Federal Reserve's rules require quantitative and qualitative disclosures about LCR and, beginning in 2023, our NSFR. 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 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 waivers from a provision of the PNC Code of Business Conduct and Ethics covering any of our directors or executive officers (including our principal executive officer, principal financial officer and principal accounting officer or controller) will be posted at this internet address.

Shareholders who would like to request printed copies of the PNC Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board’s Audit, Nominating and Governance, Personnel and Compensation, or Risk Committees (all of which are posted on our corporate website at www.pnc.com/corporategovernance) may do so by sending their requests to our Corporate Secretary at corporate headquarters at the above address. Copies will be provided without charge.

**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 our 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 and certain outstanding capital securities issued by the parent company
have been paid or declared and set apart for payment. The Board of Directors 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 2020 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 6, 2021 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 2.1.2**

<u>EXECUTION VERSION</u>

**CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE COMPANY TREATS AS PRIVATE OR CONFIDENTIAL.**
**[***] INDICATES THAT INFORMATION HAS BEEN REDACTED.**

# AMENDMENT NO. 1 TO THE PURCHASE AGREEMENT

This Amendment No. 1, dated as of June 1 2021 (this "<u>Amendment</u>"), to the Share Purchase Agreement, dated as of November 15, 2020 (as amended, modified or supplemented from time to time in accordance with its terms, the "<u>Purchase Agreement</u>"), by and between Banco Bilbao Vizcaya Argentaria, S.A., a *sociedad anónima* organized under the laws of the Kingdom of Spain ("<u>Seller</u>") and The PNC Financial Services Group, Inc., a corporation organized under the laws of Pennsylvania ("<u>Purchaser</u>").

WHEREAS, in accordance with Section 8.2 of the Purchase Agreement, the parties hereto wish to amend the Purchase Agreement as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. <u>Defined Terms</u>. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

2. <u>Amendments</u>. The parties acknowledge and agree that:

(a) Notwithstanding Section 2.2(a)(i) of the Purchase Agreement, pursuant to Section 2.2(a)(ii) of the Purchase Agreement, the Closing shall occur on June 1, 2021, so long as the conditions set forth in Article VI of the Purchase Agreement (other than those conditions that by their nature are to be satisfied at the Closing but subject to the fulfillment or waiver of those conditions) have been satisfied or waived in accordance with the Purchase Agreement.

(b) The "Purchase Price," as calculated pursuant to Section 2.2(c)(i) of the Purchase Agreement, shall be for all purposes of the Purchase Agreement reduced by (i) $5,798,901 to reflect the estimated severance costs (including 60-days' base salary or wages) to be incurred by Purchaser or its Affiliates in connection with the employment and termination of employment of the Transferring BSI Associated Persons (as defined below) that are set forth on a displacement schedule attached as Schedule 2A hereto (the "<u>Displacement Schedule</u>"), (ii) $2,791,264 to reflect Seller's retention of the Company's interest in R3 Holdco, LLC, a limited liability company

organized under the laws of Delaware ("R3"), as described in more detail in Section 2(d) below, and (iii) $11,940,000 to reflect the October 2020 capital infusion made by the Company to PV.

(c) The Purchase Agreement is hereby amended such that the current Section 5.5 shall be Section 5.5(a) and the following shall be Section 5.5(b):

(b) In addition to Section 5.5(a), the following provisions shall apply to any Personal Information that (x) is Confidential Information, (y) is not and has not become generally available to the public other than as a result of a breach of this Section 5.5 or the Confidentiality Agreement and (z) has not become known to the Receiving Party on a non-confidential basis from a source who to the Knowledge of such Receiving Party is not breaching any contractual, legal or fiduciary obligation by making such disclosure (in the case of information relating to the Company or the Company Subsidiaries, this clause (z) shall apply only to the extent that the Seller comes to know such information after the Closing Date) (such information, "Confidential Personal Information"), belonging to the Purchaser (or the Company and its Subsidiaries) (including, without limitation, regarding their current, former or prospective clients, end users, vendors or employees), on the one hand, or Sellers and its Affiliates (other than the Company and its Subsidiaries) (including, without limitation, regarding their current, former or prospective clients, end users, vendors or employees), on the other hand, where such Confidential Personal Information continues to be held by the other party following the Closing, in each case, except pursuant to a Government Order, as required in any Action, or as otherwise required by applicable Law or administrative process (in which case the Receiving Party shall provide the Disclosing Party prompt notice thereof to the extent legally permissible and practical and shall cooperate with the Disclosing Party so that the Disclosing Party may seek a protective order or other appropriate remedy):

(i) Each party shall maintain commercially reasonable administrative, technical and physical safeguards for all Confidential Personal Information of the other party that is disclosed to, accessed or obtained by such party in connection with the Purchase Agreement, consistent with such party's past practice, designed to (a) restrict the use and disclosure of such Confidential Personal Information as required by Privacy Laws or other applicable Law, (b) ensure the security and confidentiality of such Confidential Personal Information, (c) protect against any anticipated threats or hazards to the security or integrity of such Confidential Personal Information and (d) protect against unauthorized access to or use of such Confidential Personal Information;

(ii) If a party becomes aware of any actual security breach that compromises any Confidential Personal Information of the other party (including but not limited to physical trespass of a secure facility, computing systems intrusion/hacking, loss/theft of a computer or personal computer, loss/theft of printed material, etc.) (collectively, a "Security Breach"), to the extent permitted by Privacy Laws and other

applicable Law, such party will promptly notify the other party of such Security Breach and will take reasonable actions to investigate and remediate the Security Breach;

(iii) Each party shall not use, and shall cause its Affiliates not to use, such Confidential Personal Information of the other party in connection with the conduct of its or its Affiliates' businesses or for any purpose, except as required for financial or tax reporting or by Privacy Laws or other applicable Law or as necessary to fulfil its obligations under the Transaction Documents or enforce its or its Affiliates' rights and remedies under this Agreement or the other Transaction Documents;

(iv) The terms of this Section 5.5(b) shall continue to apply to a party for so long as it continues to hold Confidential Personal Information of the other party addressed in this Section 5.5(b), notwithstanding the two (2)-year time period included in Section 5.5(a).

(d) Section 5.1(c) of the Purchase Agreement is hereby amended and restated as follows:

(i) At or prior to Closing, to the extent that any books and records of the Company and the Company Subsidiaries are in the possession of Seller or any of its Affiliates (other than the Company and the Company Subsidiaries) and not also in the possession of the Company or the Company Subsidiaries, Seller shall, and shall cause its Affiliates to, use reasonable best efforts to effect the physical and/or electronic transfer of such books and records to the Company; provided that if any such books and records are not transferred to the Company on or prior to the Closing, (i) Seller and its Affiliates shall continue to use reasonable best efforts to transfer such books and records to the Company following the Closing, (ii) Seller's and its Affiliates' retention of any such books and records shall be subject to Seller's and its Affiliates' existing record retention policies and Seller and its Affiliates shall be under no obligation to retain such books and records to any extent or in any manner that is not required by such policies, and (iii) to the extent any such books and records contain material that does not pertain or relate to the assets, liabilities, properties, business, conduct, personnel and/or operations of the Company or its Subsidiaries, such material may be redacted from such books and records.

(e) Section 5.1 of the Purchase Agreement is hereby amended such that the following shall be a new Section 5.1(d):

(i) Following the Closing, to the extent that any books and records of the Seller, the Carve-Out Entities or any of Seller's

Affiliates are in the possession of the Company or any of the Company Subsidiaries and not also in the possession of the Seller, the Carve-Out Entities or any of Seller's Affiliates, then Seller may request the physical and/or electronic transfer of such books and records to the Seller and upon such request, Purchaser shall, and shall cause the Company and the Company's Subsidiaries to, use reasonable best efforts to effect the physical and/or electronic transfer of such books and records which are requested to the Seller; provided that (i) Purchaser's retention of any such books and records shall be subject to Purchaser's existing record retention policies and Purchaser shall be under no obligation to retain such books and records to any extent or in any manner that is not required by such policies, and (ii) to the extent any such books and records contain material that does not pertain or relate to the assets, liabilities, properties, business, conduct, personnel and/or operations of the Seller, the Carve-Out Entities or Seller's Affiliates, such material may be redacted from such books and records.

(ii) Notwithstanding the foregoing, the parties acknowledge and agree that (i) Purchaser is scheduled to complete the conversion of the Bank's systems (the "Bank Systems") to those of PNC Bank, National Association (the "PNC Systems") on the weekend of October 8, 2021; (ii) From and after October 8, 2021, Purchaser shall not have operational access to any of the Bank Systems identified under or otherwise required to support the services under the Reverse Transition Services Agreement; provided, however, that Purchaser shall have operational access to the specified systems related to BSI outlined in the Reverse Transition Services Agreement (the "BSI Systems") through November 30, 2021; (iii) Purchaser will respond to data requests pursuant to Section 5.1(d)(i) above for so long as such data is retained under Purchaser's record retention policies; provided, however, that data on the Bank Systems not converted to the PNC Systems will not be available after November 30, 2021 and data on the BSI Systems not converted to PNC Systems will not be available after the date that is the later of (x) sixty (60) days from the date on which the non-U.S. retail brokerage accounts of BSI undergo deconversion and (y) December 31, 2021 (the "BSI Records Retention Date"); and (iv) Purchaser will use reasonable best efforts to give Seller reasonable advance written notice of any data not scheduled to be converted onto the PNC Systems, after which Seller may elect, at its cost, to convert such data prior to (A) November 30, 2021, with respect to data from the Bank Systems, and (B) the BSI Records Retention Date, with respect to data from the BSI Systems.

(f) Notwithstanding Section 5.12 of the Purchase Agreement, (i) the derivative instruments (including any related transaction confirmations) set forth on Schedule 1A attached hereto and (ii) the Contracts listed in Schedule 1B attached hereto, shall survive the Closing and shall be treated as if they had been set forth on

Section 5.12 of the Seller Disclosure Schedule as of the date of the Purchase Agreement;

(g) Prior to the Closing, the Company shall transfer the total amount of equity units of R3 it holds, currently 13,333.333 Class A Tranche 1 units, representing 0.87% of R3's total equity, to the Seller (or its designee) in exchange for the adjustment to the Purchase Price set forth in Section 2(b) above;

(h) The following definition shall be added to the Purchase Agreement in appropriate alphabetical order:

> "Confidential Personal Information" has the meaning set forth in Section 5.5(b).
>
> "R3 Transfer" means the Transfer by the Company to the Seller or one of its Affiliates (as may be designated by Seller), of the total amount of equity units of R3 Holdco LLC, a Delaware limited liability company ("R3") held by it, which Transfer, for the avoidance of doubt, shall be effectuated through a distribution of such equity units from the Company to the Seller or its designee, which distribution shall be recorded at fair market value.

(i) The following definitions in the Purchase Agreement shall be stricken and replaced in their entirety as follows:

> "Carve-Out Entities" means, collectively, BSI, BPSI, PV and, solely for purposes of Section 8.1(b)(vi), R3.
>
> "Carve-Out Transactions" means, collectively, the BSI Transfer, the BPSI Transfer, the PV Transfer and the R3 Transfer.

(j) Seller has caused the employment of each employee listed on Schedule 2B attached hereto (the "Transferring BSI Associated Persons") to be transferred from BSI to the Company. Such employees shall continue to be "Carve-Out Employees" for all purposes of the Purchase Agreement and any retention letters entered into by the Company (or any of its Affiliates) with such Transferring BSI Associated Persons shall be included as "Retention Letters" under item 54 of Section 3.13(b) of the Seller's Disclosure Schedule; provided, however, that the Transferring BSI Associated Persons shall be treated as Current Employees under the Purchase Agreement solely for purposes of their continued participation in the Company Benefit Plans that constitute New Plans.

(k) Prior to the Closing, Seller has caused the Benefit Plans listed on Schedule 3 attached hereto and all liabilities and obligations thereunder to be transferred from the Company to Seller or an Affiliate of Seller (other than the Company and its Subsidiaries), and such Benefit Plans shall be treated as Seller Benefit Plans for purposes of the Purchase Agreement (including the indemnification under Section 8.1(b)(v)(x) of the Purchase Agreement), and Purchaser, including the under Section 8.1(b)(v)(x) of the Purchase Agreement), and Purchaser, including the

Company, shall have no obligation or liability with respect thereto. The parties acknowledge that the obligations of Seller under Section 5.10(e) of the Agreement with respect to such Benefit Plans will be satisfied upon such transfer and Seller causing the vesting, as of the Closing, with respect to any service requirement that may have applied to participants in such Benefit Plans, and for the avoidance of doubt, Seller shall not be obligated to accelerate the payment of compensation or benefits to any participants under such Benefit Plans to the extent prohibited by applicable Law. Prior to the Closing Date, the Company shall pay to Seller (or its applicable Affiliate) an amount in cash equal to $15,785,149, consisting of 1,474,009 shares of Seller common stock with an aggregate value of $7,880,404 and cash equal to $7,904,745 in respect of the Defined Group Compensation (as defined in Schedule 3 attached hereto), and such amount shall not be treated as a Company Transaction Expense (without regard to whether any such amount relates to an individual identified in Item 3 or 4 of Section 1.1(a) of the Seller's Disclosure Schedule) for purposes of the Purchase Agreement. Seller has provided a written notice prior to the Closing Date in a form mutually agreed between Seller and Purchaser to all individuals, including any Current Employees, entitled to compensation under the Benefit Plans listed on Schedule 3 stating that the obligations thereunder are assumed and will be satisfied by Seller, and the Company and Purchaser shall have no obligations with respect thereto. Seller shall provide Purchaser with copies of all distributed notices no later than the Closing Date. Following the Closing Date, upon the request from and direction of Seller, Purchaser shall cooperate in good faith with Seller to facilitate the transfer to Seller or an Affiliate of Seller (at Seller's expense) of the assets in the account identified on Schedule 3 attached hereto that fund the [***] Arrangements (it being understood that such assets may be less than the liabilities under the [***] Arrangements and that prior to such transfer Purchaser shall have no responsibility for the management of such assets), with such transfer intended to occur as soon as administratively practicable following the Closing Date;

(l) The parties hereby agree that the FINRA approval set forth in Annex A of the Purchase Agreement (*Requisite Regulatory Approvals*) in connection with BSI's transfer of its U.S. retail brokerage accounts shall not be deemed to be a condition to Closing pursuant to Section 6.1(b);

(m) For the period beginning on the Closing Date and ending on July 9, 2021 (the "Expatriate Transition Period"), Purchaser shall continue to pay the base salaries, wages and other cash compensation or benefits that become due in the ordinary course of business in accordance with past practice to the expatriate employees listed on Schedule 4 hereto (the "Expatriate Employees") for their service during the Expatriate Transition Period; provided that, prior to the date hereof, Seller has provided Purchaser with all necessary information required to for Purchaser to satisfy the foregoing obligation. During the Expatriate Transition Period, Seller shall continue to provide medical benefits to such Expatriate Employees on the same basis as was provided to such individuals immediately prior to the Closing, and Seller shall continue to be responsible (and shall indemnify and hold the Purchaser Indemnified Parties harmless from and against) all costs, payments and other liabilities or Losses with respect to such benefits or the provision of such benefits. For clarity, the with respect to such benefits or the provision of such benefits. For clarity, the

Expatriate Employees shall not be Current Employees for any purpose under the Agreement, including during the Expatriate Transition Period, and Seller shall retain and continue to be responsible for (and shall indemnify and hold the Purchaser Indemnified Parties harmless from and against) all costs, payments and other liabilities or Losses with respect to all expatriate employees under all Seller Benefit Plans and other Seller policies or programs, including those incurred during, or arising with respect to, the Expatriate Transition Period. Following the end of the Expatriate Transition Period, Purchaser shall submit a reasonably detailed invoice to Seller for all costs incurred with respect to the Expatriate Employees during the Expatriate Transition Period, including base salaries, wages and other cash compensation (including any allowances and reimbursements, including but not limited to, airfare reimbursements) or benefits and the employer portion of any Taxes related thereto. The payment and dispute provisions set forth in Section 3.3 of the Transitional Services Agreement shall apply to this Section 2(m) of the Amendment, *mutatis mutandis*, as if set forth herein, with such modifications as are necessary to give effect to such provisions for purposes of application to this Amendment. Notwithstanding the foregoing, with respect to [***], (i) the Expatriate Transition Period will end on June 22, 2021 and he will be treated as a Current Employee from and after such date, (ii) Purchaser shall not submit an invoice to Seller for the base salary or wages incurred with respect to his employment during such period, (iii) to the extent requested by Purchaser, Seller shall continue to provide medical benefits to him on the same basis as was provided to such individual immediately prior to the Closing through October 31, 2021, (iv) Seller shall retain all liabilities and obligations with respect to his Expatriate Mobility Agreement and his employment agreement with Seller, and (v) the obligations under his Retention Letter will remain a Company Transaction Expense to the extent set forth in Section 2(o).

(n) As an administrative matter to facilitate payment of the amounts due to the Expatriate Employees under the applicable Retention Letters during the Expatriate Transition Period, the parties agree that the Company shall pay to each Expatriate Employee the portion of the Retention Letter payment amount as set forth in Schedule 4 that will become due prior to the expiration of the Expatriate Transition Period (subject to such amounts being reflected as a Company Transaction Expense on the Closing Statement consistent with Secton 2.2(c)(i)). Seller shall pay to each Expatriate Employee the portion of the Retention Letter payment amount as set forth in Schedule 4 after the Closing in accordance with applicable bank regulatory Laws and regulations (which amounts shall not be reflected as a Company Transaction Expense on the Closing Statement). Purchaser further agrees that if any amounts under the Retention Letters that were reflected as a Company Transaction Expense on the Closing Statement are forfeited by a recipient and a final determination is made that such retention award will not be paid pursuant to the terms of the applicable Retention Letter, Purchaser shall reimburse Seller for such forfeited and unpaid amounts no later than the first anniversary of the Closing Date, with such reimbursement to be made in accordance with the payment provisions set forth in Section 3.3 of the Transitional Services Agreement, *mutatis mutandis*, as if set forth herein, with such modifications as are necessary to give effect to such provisions for purposes of application to this Amendment.

Amendment.

(o) The parties hereby agree that the Company shall pay a dividend in an amount equal to $3,191,927.22 to the Seller in respect of the Company's Preferred Stock on the Closing Date.

(p) The parties hereby agree to apply the procedures set forth below following the Closing Date with respect to the reimbursements, benefits or other compensation that becomes due to any Carve-Out Employee or Other U.S. Employee (and, in each case, their eligible dependents) under the Benefit Plans listed on Schedule 5 hereto (the "Trailing Claim Plans"):

> (i) Purchaser shall continue to pay the reimbursements, benefits or other compensation that becomes due to any Carve-Out Employees or Other U.S. Employee (and their eligible dependents) on or following the Closing Date under the Trailing Claim Plans in accordance with the terms and conditions of such plans, including pursuant to continuation coverage pursuant to COBRA (the "Trailing Claims");
>
> (ii) Seller shall continue to be responsible for (and shall indemnify and hold the Purchaser Indemnified Parties harmless from and against) all costs, payments and other liabilities or Loss with respect to the Trailing Claims;
>
> (iii) Purchaser shall submit an invoice containing, as applicable, the year of treatment, the general category of service and the amount of each service to Seller for all costs and Losses incurred with respect to Trailing Claims (without regard to when the claim or event arose), it being understood that in no event shall Purchaser be required to provide "protected health information" within the meaning of the Health Insurance Portability and Accountability Act of 1996 or any other information prohibited under applicable Law; provided, however, that to the extent Purchaser receives a reimbursement, recovery or other proceeds with respect to such Trailing Claims from the Stop Loss Insurance Policy sponsored by the Company, provided by BCA Insurance Company and administered by Blue Cross Blue Shield of Alabama, Purchaser shall offset such reimbursement, recovery or proceeds against the costs and Losses incurred and invoiced to Seller with respect to Trailing Claims (or if such amounts is received by Purchaser after the final such invoice, Purchaser shall pay such amount to Seller within thirty (30) days of receipt from the insurer). Seller may satisfy invoices delivered by Purchaser out of the demand deposit accounts identified on Schedule 6 that are held in the name of Seller or a Carve-Out Entity, as applicable, to the extent there are sufficient funds held in such accounts, and the parties will reasonably cooperate to administer such reimbursement process in accordance with past practice.
>
> (iv) The payment and dispute provisions set forth in Section 3.3 of the Transitional Services Agreement shall apply to this

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Section 2(p) of the Amendment, *mutatis mutandis*, as if set forth herein, with such modifications as are necessary to give effect to such provisions for purposes of application to this Amendment.

(v) The parties agree and acknowledge that the provisions of this Section 2(p) of the Amendment shall not modify the allocation of liabilities under the Purchase Agreement, waive any noncompliance by Seller of Section 5.10(f) or waive or limit any rights Purchaser has under Section 8.1(b).

3. No Other Amendments to Purchase Agreement.

(a) On and after the date hereof, each reference in the Purchase Agreement to "this Agreement", "herein", "hereof", "hereunder" or words of similar import shall mean and be a reference to the Purchase Agreement as amended hereby.

(b) Except as otherwise expressly provided herein, all of the terms and conditions of the Purchase Agreement remain unchanged and continue in full force and effect.

4. Miscellaneous. The provisions of Sections 8.2 – 8.14 (inclusive) of the Purchase Agreement are incorporated into, and shall apply to, this Amendment, *mutatis mutandis.*

[*Remainder of page intentionally left blank; signature page follows*]

IN WITNESS WHEREOF, this Amendment No. 1 has been executed on behalf of each of the parties hereto as of the date first above written.

**BANCO BILBAO VIZCAYA ARGENTARIA S.A.**

By: _/s/Gonzalo Romera_____
Name: Gonzalo Romera
Title: Managing Director, Strategy and M&A

**THE PNC FINANCIAL SERVICES GROUP, INC.**

By: _/s/ David J. Williams____
Name: David J. Williams
Title: Senior Vice President

*[Signature Page to Amendment No. 1 to the Purchase Agreement]*

**Exhibit 10.35**

**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** | [# of Shares] PSUs and related Dividend Equivalents |
| **PERFORMANCE PERIOD** | January 1, 2021- December 31, 2023 (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 |

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):<br><br>(a) by PNC other than for Misconduct,<br>(b) by you for Good Reason, or<br>(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,<br><br>(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.<br><br>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

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| | | 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.<br><br>(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.

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| **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.<br><br>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**

**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. <u>Capital Adjustments upon a Change of Control</u>**. 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. <u>Fractional Shares</u>**. 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. <u>No Rights as a Shareholder</u>**. 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. <u>Transfer Restrictions.</u>**

(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.

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**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 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;

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.

V

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:

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| 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.<br><br>"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.<br><br>Each performance metric will be measured or reviewed on an annual basis for each calendar year (i.e., calendar year 2021, calendar year 2022 and calendar year 2023) 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.<br><br>The three performance metrics are:<br><br>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: |

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| | | 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<br><br>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).<br><br>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.)<br><br>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<br><br>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") |

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| | | and compared to specified performance targets established by the Committee.<br><br>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.<br><br>All performance metrics, including any adjustments, will be determined on the basis of:<br><br>(x) with respect to PNC's absolute performance, PNC's internal financial information;<br><br>(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<br><br>(z) with respect to other members of the Peer Group, publicly-disclosed financial information,<br><br>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. |
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| 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.<br><br>*(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. |

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| | | 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).<br><br>*(c) Calculating the Corporate Performance Factor.*<br><br>(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.<br><br>(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. |
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| 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):<br><br>• discontinued operations (as such term is used under GAAP);<br>• acquisition costs and merger integration costs; and<br>• 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 |

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| | | 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.<br><br>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.<br><br>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.<br><br>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.<br><br>The Committee may also take into account other unusual or nonrecurring adjustments (applied on a consistent basis) in determining the Final Award.<br><br>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. |
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| 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%.<br><br>*(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. |

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| | | • If PNC meets or exceeds the CET1 Ratio for each Performance Year, the risk performance metric is satisfied.<br><br>• 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. |
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| 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.<br><br>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.)<br><br>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. |
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| 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.<br><br>Such circumstances are limited to external events affecting PNC, its financial statements or members of its Peer Group |

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| | | that are substantially outside of PNC's control and could not reasonably be planned for as of the Grant Date.<br><br>*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. |
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| 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:<br><br>(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:<br><br>(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.<br><br>(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.<br><br>*(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.<br><br>*(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 |

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| | | 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.**<br><br>*(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:<br>• 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.<br>• 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. |
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| 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.<br><br>If a Change of Control occurs after your death and in the same calendar year of your death (but prior to the time the |

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| | | 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.<br><br>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.<br><br>For purposes of this definition:<br>• 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<br>• 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 |

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| | | 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. |
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| 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%.

| **2021-2023 PSU Payout Grid** | | | | |
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| | | **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% |
| | **11.50%** | 87.5% | 112.5% | 137.5% |
| | **10.50%** | 75.0% | 100.0% | 125.0% |
| | **9.50%** | 62.5% | 87.5% | 100.0% |
| | **8.00%** | 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 10.36

# 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** |
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| **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

Date(s), subject to satisfaction of the risk performance-based vesting requirements and your continued compliance with the terms and conditions of this Agreement.

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| **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 <u>Appendix C</u>. |
| **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.

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| **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.<br><br>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 |
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| 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.<br><br>(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 | |
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| 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.<br><br>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.<br><br>(b) Payment On or After a Change of Control.<br><br>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).<br><br>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.

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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 2021 performance year, the second Tranche relating to the 2022 performance year, and the third tranche relating to the 2023 performance year (each such year, a "Performance Year").<br><br>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.<br><br>"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%.<br><br>*(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.<br><br>• If PNC meets or exceeds the CET1 Ratio for a Performance Year, the risk performance metric is satisfied.<br><br>• 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.<br><br>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.<br><br>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.<br><br>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:<br>• 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<br>• 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.<br><br>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.<br>• 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 10.37

PNC

# 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** | [# of 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

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| | | 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.<br><br>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.<br><br>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 |
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| **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.<br><br>(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.<br><br>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.<br><br>(b) Payment On or After a Change of Control.<br><br>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).<br><br>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.** **<u>Capital Adjustments upon a Change of Control</u>**. 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.** **<u>Fractional Shares</u>**. 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.** **<u>No Rights as a Shareholder</u>**. 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.** **<u>Transfer Restrictions</u>.**

(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.

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**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 2021 performance year, the second Tranche relating to the 2022 performance year, and the third tranche relating to the 2023 performance year (each such year, a "Performance Year").<br><br>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).<br><br>"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%.<br><br>*(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 |

| | | |
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| | | 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.<br><br>• If PNC meets or exceeds the CET1 Ratio for a Performance Year, the risk performance metric is satisfied.<br><br>• 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.<br><br>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:<br>• PNC's Retail Banking segment reports a loss for the Performance Year<br>• PNC's Corporate & Institutional Banking segment reports a loss for the Performance Year<br>• 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>**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.<br><br>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:<br>• 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.<br><br>For the avoidance of doubt:<br>• 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.<br>• 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 22**

Subsidiary Issuers of Guaranteed Securities

The 100% owned finance subsidiary of The PNC Financial Services Group, Inc. (“PNC”) identified in the table below, has issued the securities listed opposite each of such subsidiary issuer in the table below. PNC has fully and unconditionally guaranteed (or effectively provided for the full and unconditional guarantee of) all such securities:

| Subsidiary Issuer | Guaranteed Securities |
| --- | --- |
| PNC Capital Trust C | Floating rate preferred trust securities |

**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, 2021 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 6, 2021

/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, 2021 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 6, 2021

/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, 2021 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 6, 2021

**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, 2021 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 6, 2021