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 September 30, 2022
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

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 October 17, 2022, there were 403,319,033 shares of the registrant's common stock ($5 par value) outstanding.

Cross-Reference Index to Third Quarter 2022 Form 10-Q

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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 2021 Annual Report on Form 10-K (2021 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 2021 Form 10-K; Item 1A Risk Factors included in our 2021 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 our first and second quarter 2022 Form 10-Qs and Item 8 of our 2021 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 2021 Form 10-K for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and from those anticipated in the forward-looking statements included in this Report. See Note 15 Segment Reporting in the Notes To Consolidated Financial Statements included in this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a 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 99 for a glossary of certain terms and acronyms used in this Report.

Table 1: Consolidated Financial Highlights

Dollars in millions, except per share data Unaudited	Three months ended September 30 2022	Three months ended June 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Financial Results (a)					
Net interest income	$ 3,475	$ 3,051	$ 2,856	$ 9,330	$ 7,785
Noninterest income	2,074	2,065	2,341	6,027	6,299
Total revenue	5,549	5,116	5,197	15,357	14,084
Provision for (recapture of) credit losses	241	36	(203)	69	(452)
Noninterest expense	3,280	3,244	3,587	9,696	9,211
Income before income taxes and noncontrolling interests	$ 2,028	$ 1,836	$ 1,813	$ 5,592	$ 5,325
Income taxes	388	340	323	1,027	906
Net income	$ 1,640	$ 1,496	$ 1,490	$ 4,565	$ 4,419
Net income attributable to common shareholders	$ 1,558	$ 1,409	$ 1,416	$ 4,328	$ 4,216
Per Common Share					
Basic	$ 3.78	$ 3.39	$ 3.31	$ 10.39	$ 9.84
Diluted	$ 3.78	$ 3.39	$ 3.30	$ 10.39	$ 9.83
Book value per common share	$ 97.59	$ 101.39	$ 121.16		
Performance Ratios					
Net interest margin (b)	2.82 %	2.50 %	2.27 %	2.54 %	2.28 %
Noninterest income to total revenue	37 %	40 %	45 %	39 %	45 %
Efficiency	59 %	63 %	69 %	63 %	65 %
Return on:					
Average common shareholders' equity	14.97 %	13.52 %	10.95 %	13.31 %	11.17 %
Average assets	1.19 %	1.10 %	1.06 %	1.11 %	1.16 %

(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) See explanation and reconciliation of this non-GAAP measure in Average Consolidated Balance Sheet and Net Interest Analysis and 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)

Dollars in millions, except as noted Unaudited	September 30 2022	December 31 2021	September 30 2021
Balance Sheet Data			
Assets	$ 559,477	$ 557,191	$ 553,515
Loans	$ 315,400	$ 288,372	$ 290,230
Allowance for loan and lease losses	$ 4,581	$ 4,868	$ 5,355
Interest-earning deposits with banks	$ 40,278	$ 74,250	$ 75,478
Investment securities	$ 136,451	$ 132,962	$ 125,606
Total deposits	$ 438,194	$ 457,278	$ 448,902
Borrowed funds	$ 54,633	$ 30,784	$ 33,471
Total shareholders' equity	$ 46,688	$ 55,695	$ 56,259
Common shareholders' equity	$ 39,444	$ 50,685	$ 51,250
Other Selected Ratios			
Common equity Tier 1	9.3 %	10.3 %	10.3 %
Loans to deposits	72 %	63 %	65 %
Common shareholders' equity to total assets	7.1 %	9.1 %	9.3 %

(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.

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 coast-to-coast. 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 needs. Our business model is built on customer loyalty and engagement, understanding our customers' financial goals and offering our diverse products and services to help them achieve financial well-being. Our approach is concentrated on organically growing and deepening client relationships across our businesses that meet our risk/return measures.

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

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

Our capital and liquidity priorities are to support customers, fund business investments and return excess capital to shareholders, while maintaining appropriate capital in light of economic conditions, the Basel III framework and other regulatory expectations. 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 2021 Form 10-K.

Hurricane Ian

During the last week of September 2022, Hurricane Ian caused widespread damage in central and southwest Florida, a key market area for us. The storm resulted in significant property damage to our customers, the closing or disruption of many businesses, including some of PNC's branches and facilities, and damage to the community infrastructure. We continue to evaluate the impact to our businesses, and, based on our assessment to date, we do not expect Hurricane Ian to have a material impact on our operating results, including credit losses.

Presentation of Noninterest Income

Effective for the first quarter of 2022, PNC updated the presentation of its noninterest income categorization to be based on product and service type, and accordingly, has changed the basis of presentation of its noninterest income revenue streams to: (i) Asset management and brokerage, (ii) Capital markets related, (iii) Card and cash management, (iv) Lending and deposit services, (v) Residential and commercial mortgage and (vi) Other noninterest income. For a description of each updated noninterest income revenue stream, see Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 1 of this Report.

Acquisition of BBVA USA Bancshares, Inc.

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

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

For additional information on the acquisition of BBVA, see Note 2 Acquisition Activity in the Notes To Consolidated Financial Statements included in Item 1 of this Report and Note 2 Acquisition and Divestiture Activity in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

Income Statement Highlights

Net income of $1.6 billion, or $3.78 per diluted common share, for the third quarter of 2022 increased $144 million, or 10%, compared to $1.5 billion, or $3.39 per diluted common share, for the second quarter of 2022, primarily driven by higher net interest income, partially offset by a higher provision for credit losses.

- For the three months ended September 30, 2022 compared to the three months ended June 30, 2022:
    - Total revenue increased $433 million, or 8%, to $5.5 billion.
        - Net interest income of $3.5 billion increased $424 million, or 14%, driven by higher yields on interest-earning assets and loan growth, partially offset by higher funding costs.
            - Net interest margin increased 32 basis points to 2.82% primarily due to higher yields on interest-earning assets.
        - Noninterest income increased $9 million.
    - The third quarter of 2022 included a provision for credit losses of $241 million, reflecting slightly weaker economic expectations which impacted our macroeconomic scenarios and weightings. The second quarter of 2022 included a provision for credit losses of $36 million.
    - Noninterest expense increased $36 million to $3.3 billion, reflecting increased personnel expense to support business growth as well as one additional day in the quarter.
    - We generated positive operating leverage of 7%.

Net income of $4.6 billion, or $10.39 per diluted common share, for the first nine months of 2022 increased $146 million, or 3%, compared to $4.4 billion, or $9.83 per diluted common share, for the first nine months of 2021, driven by higher net interest income, partially offset by an increased provision for credit losses, higher expenses and lower noninterest income.

- For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021:
    - Total revenue increased $1.3 billion, or 9%, to $15.4 billion.
        - Net interest income increased $1.5 billion, or 20%, due to higher interest-earning asset balances, which included the benefit of BBVA, and higher yields, partially offset by higher funding costs.
            - Net interest margin increased 26 basis points, primarily due to higher yields on interest-earning assets.
        - Noninterest income decreased $272 million, or 4%, primarily due to lower private equity, residential and commercial mortgage and capital markets related fees, partially offset by an increase in card and cash management revenue and $1 million of positive Visa Class B fair value adjustments compared to $165 million of negative adjustments for the same period in 2021.
    - Noninterest expense increased $485 million, or 5%, driven by the addition of BBVA operating expenses and continued business investment, partially offset by lower integration expenses and a decline in variable compensation related to lower business activity.

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

Balance Sheet Highlights

Our balance sheet was well positioned at September 30, 2022. In comparison to December 31, 2021:

- Total assets increased modestly, to $559.5 billion.
- Total loans increased $27.0 billion, or 9%, to $315.4 billion.
  - Total commercial loans increased $22.5 billion, or 12%, to $215.6 billion, driven by new production and higher utilization of loan commitments, partially offset by PPP loan forgiveness.
    - PPP loans outstanding were $0.6 billion and $3.4 billion at September 30, 2022 and December 31, 2021, respectively.
  - Total consumer loans increased $4.5 billion, or 5%, to $99.8 billion, primarily due to increases in residential mortgages, home equity and credit card, partially offset by declines in the remaining portfolios as paydowns outpaced new originations.
- Investment securities increased $3.5 billion to $136.5 billion, as a result of net purchase activity, partially offset by net unrealized losses.
- Interest-earning deposits with banks, primarily with the Federal Reserve Bank, decreased $34.0 billion, or 46%, to $40.3 billion, reflecting higher loans outstanding and lower deposits, partially offset by an increase in borrowed funds.
- Total deposits decreased $19.1 billion, or 4%, to $438.2 billion due to lower commercial and consumer deposits, reflecting deposit outflows, higher consumer spending and the impact of inflationary pressures.
- Borrowed funds increased $23.8 billion, or 77%, to $54.6 billion, driven by increased FHLB borrowings, partially offset by lower bank notes and senior debt.

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

Credit Quality Highlights

The third quarter of 2022 reflected strong credit quality performance.

- At September 30, 2022 compared to December 31, 2021:
  - Nonperforming assets of $2.1 billion decreased $405 million, or 16%, due to lower commercial and consumer nonperforming loans.
  - Overall loan delinquencies of $1.6 billion decreased $359 million, or 18%, driven by lower consumer delinquencies, which included the resolution of BBVA USA conversion-related administrative and operational delays.
  - The ACL related to loans, which consists of the ALLL and the allowance for unfunded lending related commitments, decreased to $5.3 billion, or 1.67% of total loans, at September 30, 2022, compared to $5.5 billion, or 1.92% of total loans at December 31, 2021. The decrease was primarily driven by the reassessment of pandemic-related risks and the impacts of portfolio changes, partially offset by weaker economic expectations.
- Net charge-offs of $119 million, or 0.15% of average loans, in the third quarter of 2022 increased $36 million, or 43%, compared to $83 million, or 0.11% of average loans, for the second quarter of 2022, primarily driven by higher commercial loan net charge-offs.

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 position.

- Common shareholders’ equity of $39.4 billion at September 30, 2022, decreased $11.3 billion, or 22%, compared to December 31, 2021 as the benefit of net income was more than offset by a decrease in AOCI, reflecting the negative impact of higher interest rates on net unrealized securities and swap losses. The decline was also attributable to share repurchases and common dividends paid.
- In the third quarter, we returned $1.7 billion of capital to shareholders through common share repurchases of $1.1 billion, representing 6.7 million shares, and dividends on common shares of $0.6 million.
  - The SCB framework allows for capital returns in amounts up to the level of capital in excess of the firm's SCB plus the regulatory minimum level of capital. Consistent with the flexibility provided under the SCB framework, our Board of Directors has authorized a repurchase framework under the previously approved repurchase program of up to 100 million common shares, of which approximately 53% were still available for repurchase at September 30, 2022. Under this framework, PNC expects its quarterly repurchases to approximate $700 million to $750 million with the ability to adjust those levels as conditions warrant. PNC's SCB for the four-quarter period beginning October 1, 2022 is 2.9%.
- On October 3, 2022, the PNC Board of Directors declared a quarterly cash dividend on common stock of $1.50 per share payable on November 5, 2022.
- Our CET1 ratio decreased to 9.3% at September 30, 2022 from 10.3% at December 31, 2021.

- PNC elected to delay the estimated impact of CECL on CET1 capital through December 31, 2021, followed by a three-year transition period. CECL's estimated impact on CET1 capital is defined as the change in retained earnings at adoption plus or minus 25% of the change in CECL ACL at the balance sheet date, excluding the initial allowance for PCD loans from BBVA, compared to CECL ACL at adoption. Effective for the first quarter of 2022, PNC is now in the three-year transition period, and the full impact of the CECL standard is being phased-in to regulatory capital through December 31, 2024. The CET1 fully implemented ratio, which reflects the full impact of CECL and excludes the benefits of the optional five-year transition, was 9.1% at September 30, 2022 compared to 10.0% at December 31, 2021.

See the Liquidity and Capital Management portion of the Risk Management section of this Financial Review for more detail on our 2022 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 an SCB 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 2021 Form 10-K.

Business Outlook

Statements regarding our business outlook are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our views that:

- Although real GDP contracted in the first and second quarters of 2022, the U.S. economy is not in recession. In particular, the labor market remains extremely strong, with average monthly job growth well above the pre-pandemic pace, and the unemployment rate at a 50-year low. Supply-chain difficulties will continue to ease into 2023. Labor shortages will remain a constraint into 2023, although strong wage growth and high levels of household saving will support consumer spending.
- PNC expects economic growth will be below its long-term trend in the near term as the Federal Reserve continues to tighten monetary policy in an attempt to reduce inflationary pressures, but does not expect a near-term recession. Recession risks over the next few years are elevated, however, because of tighter monetary policy.
- Inflation has started to slow, but remains near the strongest pace in decades. Inflation should slow further due to softer economic growth and a continued easing in supply-chain difficulties and will return to the Federal Reserve's 2% long-run objective in 2024.
- The FOMC raised the federal funds rate by 0.75% in September, to a range of 3.00% to 3.25%. PNC expects further increases in the federal funds rate through the rest of this year, to a range of 4.25% to 4.50% at the end of 2022. PNC expects the federal funds rate to peak between 4.50% and 4.75% in early 2023, before falling in early 2024 as inflation ebbs and economic growth slows.

For the fourth quarter of 2022, compared to the third quarter of 2022, we expect:

- Average loans to be up approximately 1%,
- Net interest income to be up 6% to 8%,
- Fee income to be stable to down 1%,
- Other noninterest income, excluding net securities gains and Visa activity, to be $200 million to $250 million,
- Revenue to be up approximately 2%,
- Noninterest expense to be stable to up 1%,
- Net loan charge-offs to be $125 million to $175 million, and
- Effective tax rate to be approximately 18.5%.

See the Cautionary Statement Regarding Forward-Looking Information section in this Financial Review and Item 1A Risk Factors in our 2021 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 Item 1 of this Report.

Net income of $1.6 billion, or $3.78 per diluted common share for the third quarter of 2022 increased $144 million, or 10%, compared to $1.5 billion, or $3.39 per diluted common share for the second quarter of 2022, primarily driven by higher net interest income, partially offset by a higher provision for credit losses. Net income of $4.6 billion, or $10.39 per diluted common share for the first nine months of 2022 increased $146 million, or 3%, compared to $4.4 billion, or $9.83 per diluted common share, for the same period in

2021. The increase was driven by higher net interest income, partially offset by an increased provision for credit losses, higher expenses and lower noninterest income.

Net Interest Income

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

Three months ended Dollars in millions	September 30, 2022 Average Balances	September 30, 2022 Average Yields/ Rates	September 30, 2022 Interest Income/ Expense	June 30, 2022 Average Balances	June 30, 2022 Average Yields/ Rates	June 30, 2022 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 136,990	2.10 %	$ 720	$ 134,724	1.89 %	$ 636
Loans	313,026	3.98 %	3,162	304,790	3.29 %	2,524
Interest-earning deposits with banks	31,892	2.32 %	185	39,689	0.79 %	78
Other	9,560	3.94 %	94	9,935	2.76 %	68
Total interest-earning assets/interest income	$ 491,468	3.35 %	4,161	$ 489,138	2.69 %	3,306
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 298,073	0.45 %	340	$ 297,096	0.12 %	88
Borrowed funds	44,261	2.81 %	317	35,656	1.58 %	142
Total interest-bearing liabilities/interest expense	$ 342,334	0.75 %	657	$ 332,752	0.27 %	230
Net interest margin/income (non-GAAP)		2.82 %	3,504		2.50 %	3,076
Taxable-equivalent adjustments			(29)			(25)
Net interest income (GAAP)			$ 3,475			$ 3,051

Nine months ended Dollars in millions	September 30, 2022 Average Balances	September 30, 2022 Average Yields/ Rates	September 30, 2022 Interest Income/ Expense	September 30, 2021 Average Balances	September 30, 2021 Average Yields/ Rates	September 30, 2021 Interest Income/ Expense
Assets						
Interest-earning assets						
Investment securities	$ 135,215	1.88 %	$ 1,904	$ 105,287	1.73 %	$ 1,366
Loans	302,921	3.50 %	7,997	261,884	3.36 %	6,629
Interest-earning deposits with banks	44,641	0.87 %	292	81,383	0.12 %	74
Other	9,637	2.92 %	210	8,345	2.27 %	142
Total interest-earning assets/interest income	$ 492,414	2.80 %	10,403	$ 456,899	2.38 %	8,211
Liabilities						
Interest-bearing liabilities						
Interest-bearing deposits	$ 298,232	0.20 %	455	$ 273,498	0.05 %	99
Borrowed funds	36,794	1.95 %	542	34,562	1.05 %	275
Total interest-bearing liabilities/interest expense	$ 335,026	0.39 %	997	$ 308,060	0.16 %	374
Net interest margin/income (non-GAAP)		2.54 %	9,406		2.28 %	7,837
Taxable-equivalent adjustments			(76)			(52)
Net interest income (GAAP)			$ 9,330			$ 7,785

(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 $424 million, or 14%, for the third quarter of 2022 compared to the second quarter of 2022, driven by higher yields on interest-earning assets and loan growth, partially offset by higher funding costs. Net interest income increased $1.5 billion, or 20%, for the first nine months of 2022 compared to the same period in 2021, due to higher interest-earning asset balances, which included the benefit of BBVA, and higher yields, partially offset by higher funding costs.

Net interest margin in the quarterly and year-to-date comparisons increased 32 basis points and 26 basis points, respectively. In both comparisons the increase was primarily due to higher yields on interest-earning assets.

Average investment securities for the third quarter of 2022 increased $2.3 billion, or 2% compared to the second quarter of 2022 reflecting net purchases, primarily of agency residential mortgage-backed securities within the held-to-maturity portfolio. Average investment securities increased $29.9 billion, or 28% in the year-to-date comparison, due to net securities purchases, primarily of U.S. Treasury and government agency securities, agency residential mortgage-backed securities and the addition of BBVA. Average investment securities represented 28% of average interest-earning assets for both the third and second quarter of 2022, and 27% for the first nine months of 2022 compared to 23% for the first nine months of 2021.

In the quarterly and year-to-date comparisons, average loans increased $8.2 billion, or 3%, and $41.0 billion, or 16%, respectively. In both comparisons, the increase was due to growth in commercial and consumer loans, partially offset by PPP loan forgiveness. The increase in the year-to-date comparison also reflects the impact of the BBVA acquisition. Average loans represented 64% of average interest-earning assets for the third quarter of 2022 compared to 62% for the second quarter of 2022, and 62% for the first nine months of 2022 compared to 57% for the first nine months of 2021.

Average interest-earning deposits with banks for the third quarter of 2022 decreased $7.8 billion, or 20%, compared to the second quarter of 2022, driven by increased loans outstanding and lower deposits, partially offset by higher borrowed funds. In the year-to-date comparison, average interest-earning deposits with banks decreased $36.7 billion, or 45%, reflecting higher loan balances and net securities purchases, partially offset by higher deposits.

Average interest-bearing deposits for the third quarter of 2022 were largely stable compared to the second quarter of 2022. Average interest-bearing deposits increased $24.7 billion, or 9%, in the year-to-date comparison, reflecting the BBVA acquisition and the shift in commercial deposits from noninterest-bearing to interest bearing as deposit rates have risen. In total, average interest-bearing deposits represented 87% of average interest-bearing liabilities for the third quarter of 2022 compared to 89% for the second quarter of 2022, and the first nine months of both 2022 and 2021.

Average borrowed funds for the third quarter of 2022 increased $8.6 billion, or 24%, compared to the second quarter of 2022, primarily due to increased FHLB borrowings. Average borrowed funds for the first nine months of 2022 increased $2.2 billion, or 6%, compared to the first nine months of 2021, reflecting higher FHLB borrowings, partially offset by lower bank notes and senior debt.

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

Noninterest Income

Table 3: Noninterest Income

	Three months ended				Nine months ended			
	September 30	June 30	Change		September 30	September 30	Change	
Dollars in millions	2022	2022	$	%	2022	2021	$	%
Noninterest income								
Asset management and brokerage	$ 357	$ 365	$ (8)	(2)%	$ 1,099	$ 1,053	$ 46	4 %
Capital markets related	299	409	(110)	(27)%	960	1,117	(157)	(14)%
Card and cash management	671	671		—	1,962	1,752	210	12 %
Lending and deposit services	287	282	5	2 %	838	829	9	1 %
Residential and commercial mortgage	143	161	(18)	(11)%	463	641	(178)	(28)%
Other	317	177	140	79 %	705	907	(202)	(22)%
Total noninterest income	$ 2,074	$ 2,065	$ 9	—	$ 6,027	$ 6,299	$ (272)	(4)%

Noninterest income as a percentage of total revenue was 37% for the third quarter of 2022 compared to 40% for second quarter of 2022, and 39% for the first nine months of 2022 compared to 45% for the same period in 2021.

Asset management and brokerage fees decreased compared to thesecond quarter of 2022, and included the impact of lower average equity markets. The increase in the year-to-date comparison reflected the benefit of BBVA and increased product sales, partially offset by lower average equity markets. PNC's discretionary client assets under management of $166 billion at September 30, 2022 decreased from $167 billion at June 30, 2022 and $183 billion at September 30, 2021, primarily as a result of lower spot equity markets.

Capital markets related revenue decreased compared to the second quarter of 2022 driven by lower merger and acquisition advisory fees, reflecting the impact of elevated second quarter activity. In the year-to-date comparison the decrease was primarily due to a decline in equity capital markets advisory, underwriting and merger and acquisition advisory fees.

Card and cash management revenue was stable compared to the second quarter of 2022. The increase in the year-to-date comparison was primarily due to increased treasury management product revenue, the addition of BBVA and higher consumer spending.

Lending and deposit services increased compared to the second quarter of 2022, driven by higher loan commitment fees. The increase in the year-to-date comparison included the benefit of BBVA.

Residential and commercial mortgage decreased in both the quarterly and year-to-date comparisons, primarily due to lower residential mortgage banking activities.

Other noninterest income increased compared to the second quarter of 2022, and included higher private equity revenue and positive Visa Class B derivative fair value adjustments of $13 million. The second quarter of 2022 included $16 million of negative Visa Class B fair value adjustments. The decrease in the year-to-date comparison was primarily due to lower private equity revenue, partially offset by positive Visa Class B derivative fair value adjustments. The first nine months of 2022 included $1 million of positive Visa Class B fair value adjustments compared to $165 million of negative adjustments for the same period in 2021.

Noninterest Expense

Table 4: Noninterest Expense

	Three months ended				Nine months ended			
	September 30	June 30	Change		September 30	September 30	Change	
Dollars in millions	2022	2022	$	%	2022	2021	$	%
Noninterest expense								
Personnel	$ 1,805	$ 1,779	$ 26	1 %	$ 5,301	$ 5,103	$ 198	4 %
Occupancy	241	246	(5)	(2)%	745	680	65	10 %
Equipment	344	351	(7)	(2)%	1,026	974	52	5 %
Marketing	93	95	(2)	(2)%	249	222	27	12 %
Other	797	773	24	3 %	2,375	2,232	143	6 %
Total noninterest expense	$ 3,280	$ 3,244	$ 36	1 %	$ 9,696	$ 9,211	$ 485	5 %

Noninterest expense increased compared to the second quarter of 2022, reflecting increased personnel expense to support business growth as well as one additional day in the quarter. The increase in the first nine months of 2022 compared to the same period in 2021 was driven by the addition of BBVA operating expenses and continued business investment, partially offset by lower integration expenses and a decline in variable compensation related to lower business activity.

Effective Income Tax Rate

The effective income tax rate was 19.1% in the third quarter of 2022, compared to 18.5% in the second quarter of 2022, and 18.4% in the first nine months of 2022 compared to 17.0% for the same period in 2021.

Provision For (Recapture of) Credit Losses

Table 5: Provision for (Recapture of) Credit Losses

	Three months ended			Nine months ended		
	September 30	June 30	Change	September 30	September 30	Change
Dollars in millions	2022	2022	$	2022	2021	$
Provision for (recapture of) credit losses						
Loans and leases	$ 241	$ (10)	$ 251	$ 59	$ (525)	$ 584
Unfunded lending related commitments	1	42	(41)	20	16	4
Investment securities	3	3		7	51	(44)
Other financial assets	(4)	1	(5)	(17)	6	(23)
Total provision for (recapture of) credit losses	$ 241	$ 36	$ 205	$ 69	$ (452)	$ 521

The third quarter of 2022 included a provision for credit losses of $241 million, reflecting slightly weaker economic expectations which impacted our macroeconomic scenarios and weightings. The second quarter of 2022 included a provision for credit losses of $36 million.

Consolidated Balance Sheet Review

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

Table 6: Summarized Balance Sheet Data

Dollars in millions	September 30 2022	December 31 2021	Change $	Change %
Assets				
Interest-earning deposits with banks	$ 40,278	$ 74,250	$ (33,972)	(46)%
Loans held for sale	1,126	2,231	(1,105)	(50)%
Investment securities	136,451	132,962	3,489	3 %
Loans	315,400	288,372	27,028	9 %
Allowance for loan and lease losses	(4,581)	(4,868)	287	6 %
Mortgage servicing rights	3,206	1,818	1,388	76 %
Goodwill	10,987	10,916	71	1 %
Other	56,610	51,510	5,100	10 %
Total assets	$ 559,477	$ 557,191	$ 2,286	—
Liabilities				
Deposits	$ 438,194	$ 457,278	$ (19,084)	(4)%
Borrowed funds	54,633	30,784	23,849	77 %
Allowance for unfunded lending related commitments	682	662	20	3 %
Other	19,245	12,741	6,504	51 %
Total liabilities	512,754	501,465	11,289	2 %
Equity				
Total shareholders' equity	46,688	55,695	(9,007)	(16)%
Noncontrolling interests	35	31	4	13 %
Total equity	46,723	55,726	(9,003)	(16)%
Total liabilities and equity	$ 559,477	$ 557,191	$ 2,286	—

Our balance sheet was well positioned at September 30, 2022. In comparison to December 31, 2021:

- Total assets increased modestly, reflecting higher loans, securities and MSRs, partially offset by lower balances held with the Federal Reserve Bank.
- Total liabilities increased primarily due to higher borrowed funds, partially offset by lower deposits.
- Total equity decreased as the benefit of net income and preferred stock issuances was more than offset by a decrease in AOCI, reflecting the negative impact of higher interest rates on net unrealized securities and swap losses. The decline was also attributable to common share repurchases and dividends paid.

The ACL related to loans totaled $5.3 billion at September 30, 2022, a decrease of $0.2 billion since December 31, 2021, driven by the reassessment of pandemic-related risks and the impacts of portfolio changes, partially offset by weaker economic expectations. 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 2021 Form 10-K.

Loans

Table 7: Loans

Dollars in millions	September 30 2022	December 31 2021	Change $	Change %
Commercial				
Commercial and industrial	$ 173,813	$ 152,933	$ 20,880	14 %
Commercial real estate	35,592	34,015	1,577	5 %
Equipment lease financing	6,192	6,130	62	1 %
Total commercial	215,597	193,078	22,519	12 %
Consumer				
Residential real estate	45,057	39,712	5,345	13 %
Home equity	25,367	24,061	1,306	5 %
Automobile	15,025	16,635	(1,610)	(10)%
Credit card	6,774	6,626	148	2 %
Education	2,287	2,533	(246)	(10)%
Other consumer	5,293	5,727	(434)	(8)%
Total consumer	99,803	95,294	4,509	5 %
Total loans	$ 315,400	$ 288,372	$ 27,028	9 %

Commercial loans increased driven by new production and higher utilization of loan commitments, partially offset by PPP loan forgiveness. PPP loans outstanding were $0.6 billion and $3.4 billion at September 30, 2022 and December 31, 2021, respectively.

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 increases in residential mortgages, home equity and credit card, partially offset by declines in the remaining 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 the Credit Risk Management portion of the Risk Management section in this Item 1 and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report.

Investment Securities

Investment securities of $136.5 billion at September 30, 2022 increased $3.5 billion, or 3%, compared to December 31, 2021, from net purchase activity, partially offset by net unrealized losses.

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, NSFR and other internal and external guidelines and constraints.

Table 8: Investment Securities

	September 30, 2022		December 31, 2021		Ratings as of September 30, 2022 (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	$ 47,213	$ 44,622	$ 47,024	$ 47,054	100 %				
Agency residential mortgage-backed	74,145	67,149	67,326	67,632	100 %				
Non-agency residential mortgage-backed	1,006	1,129	927	1,158	8 %		1 %	37 %	54 %
Agency commercial mortgage-backed	2,593	2,391	1,740	1,773	100 %				
Non-agency commercial mortgage-backed (c)	3,109	3,026	3,423	3,436	85 %	1 %	2 %		12 %
Asset-backed (d)	6,671	6,536	6,380	6,409	96 %	1 %		2 %	1 %
Other (e)	6,505	6,133	5,404	5,596	50 %	29 %	18 %		3 %
Total investment securities (f)	$ 141,242	$ 130,986	$ 132,224	$ 133,058	97 %	1 %	1 %		1 %

(a) Ratings percentages allocated based on amortized cost, net of allowance for investment securities.
(b) Amortized cost is presented net of the allowance for investment securities, which totaled $140 million at September 30, 2022 and primarily related to non-agency commercial mortgage-backed securities. The comparable amount at December 31, 2021 was $133 million.
(c) Collateralized primarily by office buildings, multifamily housing, retail properties, lodging properties and industrial properties.
(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 investment securities portfolio by amortized cost and fair value, as well as by credit rating. The relationship of fair value to amortized cost at September 30, 2022 compared to December 31, 2021 primarily reflected the impact of higher interest rates on the valuation of fixed rate securities. 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 allowance for investment securities.

During the first nine months of 2022, we transferred securities with a fair value of $82.7 billion, from available for sale to held to maturity. We changed our intent and committed to hold these high-quality securities to maturity in order to reduce the impact of price volatility on AOCI and tangible capital. See Note 3 Investment Securities in the Notes To Consolidated Financial Statements included in Item 1 of this Report for additional details regarding these transfers.

The duration of investment securities was 4.5 years at September 30, 2022. We estimate that at September 30, 2022 the effective duration of investment securities was 4.4 years for an immediate 50 basis points parallel increase in interest rates and 4.5 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2021 for the effective duration of investment securities were 3.8 years and 3.5 years, respectively.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio was 5.8 years at September 30, 2022 compared to 4.4 years at December 31, 2021.

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

September 30, 2022	Years
Agency residential mortgage-backed	7.4
Non-agency residential mortgage-backed	9.6
Agency commercial mortgage-backed	5.3
Non-agency commercial mortgage-backed	1.5
Asset-backed	2.6

Additional information regarding our investment securities portfolio is included in Note 3 Investment Securities and Note 12 Fair Value in the Notes To Consolidated Financial Statements included in Item 1 of this Report.

Funding Sources

Table 10: Details of Funding Sources

	September 30	December 31	Change	
Dollars in millions	2022	2021	$	%
Deposits				
Noninterest-bearing	$ 138,423	$ 155,175	$ (16,752)	(11)%
Interest-bearing				
Money market	61,366	61,229	137	—
Demand	124,167	115,910	8,257	7 %
Savings	104,204	107,598	(3,394)	(3)%
Time deposits	10,034	17,366	(7,332)	(42)%
Total interest-bearing deposits	299,771	302,103	(2,332)	(1)%
Total deposits	438,194	457,278	(19,084)	(4)%
Borrowed funds				
Federal Home Loan Bank borrowings	30,075		30,075	—
Bank notes and senior debt	13,357	20,661	(7,304)	(35)%
Subordinated debt	7,286	6,996	290	4 %
Other	3,915	3,127	788	25 %
Total borrowed funds	54,633	30,784	23,849	77 %
Total funding sources	$ 492,827	$ 488,062	$ 4,765	1 %

Total deposits decreased due to lower commercial and consumer deposits, reflecting deposit outflows, higher consumer spending and the impact of inflationary pressures.

Borrowed funds increased primarily due to increased FHLB borrowings, partially offset by lower bank notes and senior debt.

The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan, investment securities and deposit growth and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity for our banking and other activities, considering our LCR and NSFR 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 2022 liquidity and capital activities. See Note 8 Borrowed Funds in the Notes To Consolidated Financial Statements in this Report and Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in Item 8 of our 2021 Form 10-K for additional information related to our borrowings.

Shareholders' Equity

Total shareholders' equity was $46.7 billion at September 30, 2022, a decrease of $9.0 billion compared to December 31, 2021, as increases related to net income of $4.6 billion and preferred stock issuances of $2.2 billion were more than offset by a decrease in AOCI of $10.9 billion, reflecting the negative impact of higher interest rates on net unrealized securities and swap losses. The decline was also attributable to common share repurchases of $3.0 billion and dividends paid of $1.9 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 15 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 15, primarily due to the presentation in this Financial Review of business net interest income on a taxable-equivalent basis.

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

Total business segment financial results differ from total consolidated net income. The impact of these differences is reflected in the "Other" category as shown in Table 76 in Note 15 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 forward financially. We aim to grow our primary checking and transaction relationships through strong customer acquisition and retention. We seek to deepen relationships by meeting the broad range of our customers' financial needs with savings, liquidity, lending, payments, 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 and ATM access, 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) Nine months ended September 30 Dollars in millions, except as noted	2022	2021	Change $	Change %
Income Statement				
Net interest income	$ 5,210	$ 4,572	$ 638	14 %
Noninterest income	2,218	2,022	196	10 %
Total revenue	7,428	6,594	834	13 %
Provision for (recapture of) credit losses	66	(156)	222	*
Noninterest expense	5,706	5,042	664	13 %
Pretax earnings	1,656	1,708	(52)	(3)%
Income taxes	389	396	(7)	(2)%
Noncontrolling interests	45	26	19	73 %
Earnings	$ 1,222	$ 1,286	$ (64)	(5)%
Average Balance Sheet				
Loans held for sale	$ 991	$ 1,296	$ (305)	(24)%
Loans				
Consumer				
Residential real estate	$ 33,088	$ 23,323	$ 9,765	42 %
Home equity	22,916	22,324	592	3 %
Automobile	15,638	15,398	240	2 %
Credit card	6,532	6,070	462	8 %
Education	2,422	2,820	(398)	(14)%
Other consumer	2,204	2,326	(122)	(5)%
Total consumer	82,800	72,261	10,539	15 %
Commercial	11,176	14,819	(3,643)	(25)%
Total loans	$ 93,976	$ 87,080	$ 6,896	8 %
Total assets	$ 113,157	$ 103,820	$ 9,337	9 %
Deposits				
Noninterest-bearing	$ 65,026	$ 55,107	$ 9,919	18 %
Interest-bearing	200,918	179,567	21,351	12 %
Total deposits	$ 265,944	$ 234,674	$ 31,270	13 %
Performance Ratios				
Return on average assets	1.44 %	1.66 %		
Noninterest income to total revenue	30 %	31 %		
Efficiency	77 %	76 %		

At or for nine months ended September 30 Dollars in millions, except as noted		2022		2021		Change $	Change %
Supplemental Noninterest Income Information							
Asset management and brokerage	$	400	$	334	$	66	20 %
Card and cash management	$	1,003	$	934	$	69	7 %
Lending and deposit services	$	498	$	462	$	36	8 %
Residential and commercial mortgage	$	208	$	355	$	(147)	(41)%
Residential Mortgage Information							
Residential mortgage servicing statistics (in billions, except as noted) (a)							
Serviced portfolio balance (b)	$	170	$	139	$	31	22 %
Serviced portfolio acquisitions	$	50	$	42	$	8	19 %
MSR asset value (b)	$	2.1	$	1.1	$	1.0	91 %
MSR capitalization value (in basis points) (b)		122		81		41	51 %
Servicing income: (in millions)							
Servicing fees, net (c)	$	119	$	20	$	99	*
Mortgage servicing rights valuation, net of economic hedge	$	(15)	$	62	$	(77)	(124)%
Residential mortgage loan statistics							
Loan origination volume (in billions)	$	13.0	$	18.2	$	(5.2)	(29)%
Loan sale margin percentage		2.13 %		2.95 %			
Percentage of originations represented by:							
Purchase volume (d)		64 %		45 %			
Refinance volume		36 %		55 %			
Other Information (b)							
Customer-related statistics (average)							
Non-teller deposit transactions (e)		64 %		66 %			
Digital consumer customers (f)		78 %		80 %			
Credit-related statistics							
Nonperforming assets	$	1,027	$	1,220	$	(193)	(16)%
Net charge-offs - loans and leases	$	327	$	269	$	58	22 %
Other statistics							
ATMs		9,169		9,572		(403)	(4)%
Branches (g)		2,527		2,712		(185)	(7)%
Brokerage account client assets (in billions) (h)	$	67	$	76	$	(9)	(12)%

*- 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 nine 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) Reflects all branches and solution centers excluding 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 nine months of 2022 decreased $64 million compared to the same period in 2021 primarily due to increased noninterest expense and a higher provision for credit losses, partially offset by higher net interest and noninterest income.

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

Noninterest income increased due to the favorable impact of Visa Class B fair value adjustments compared to a negative adjustment in 2021 related to expected litigation timing. The increase was also driven by higher card and cash management revenue, increased asset management and brokerage fees and higher lending and deposit related fees, which included the addition of BBVA customers.

Noninterest expense increased due to the impact of BBVA operating expenses, increased business activity and continued investments in strategic initiatives.

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 nine months of 2022, average total deposits increased compared to the same period in 2021, primarily driven by growth in demand and savings deposits which included the impact of the BBVA acquisition.

Retail Banking average total loans increased in the first nine months of 2022 compared to the same period in 2021. Average consumer loans increased 15% due to the impact of the BBVA acquisition on all loan classes except education loans, which BBVA did not have in their loan portfolio. In addition, average residential real estate loans increased, as new originations outpaced the runoff. The increase was partially offset by a decline in other consumer loans as paydowns outpaced new originations. Average commercial loans decreased primarily due to forgiveness of PPP loans.

As part of our strategic focus on growing customers and meeting their financial needs, we have established a coast-to-coast network of retail branches and ATMs that operate alongside PNC's suite of digital capabilities. Over time, we plan to continue to convert a portion of these branches to solution centers, which have a distinctive layout and the capability to support transactions, sales and advice using a combination of technology and personalized banker assistance. PNC began to deploy solution centers in 2018.

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 customers by providing a broad range of liquidity, banking, payments and investment products. In 2021, we successfully rolled out Low Cash Mode® to all Virtual Wallet® customers providing them with 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. In August, we eliminated non-sufficient fund fees for all consumer checking account customers. Virtual Wallet® customers had previously received this benefit with the launch of Low Cash Mode®.

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 105 branches in the first nine months of 2022, consistent with our plan.

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) Nine months ended September 30 Dollars in millions	2022	2021	Change $	Change %
Income Statement				
Net interest income	$ 3,781	$ 3,343	$ 438	13 %
Noninterest income	2,659	2,730	(71)	(3)%
Total revenue	6,440	6,073	367	6 %
Provision for (recapture of) credit losses	15	(277)	292	*
Noninterest expense	2,661	2,504	157	6 %
Pretax earnings	3,764	3,846	(82)	(2)%
Income taxes	864	846	18	2 %
Noncontrolling interests	12	10	2	20 %
Earnings	$ 2,888	$ 2,990	$ (102)	(3)%
Average Balance Sheet				
Loans held for sale	$ 522	$ 598	$ (76)	(13)%
Loans				
Commercial				
Commercial and industrial	$ 151,971	$ 123,505	$ 28,466	23 %
Commercial real estate	32,938	30,919	2,019	7 %
Equipment lease financing	6,168	6,321	(153)	(2)%
Total commercial	191,077	160,745	30,332	19 %
Consumer	9	14	(5)	(36)%
Total loans	$ 191,086	$ 160,759	$ 30,327	19 %
Total assets	$ 215,163	$ 184,964	$ 30,199	16 %
Deposits				
Noninterest-bearing	$ 80,197	$ 76,105	$ 4,092	5 %
Interest-bearing	68,514	72,147	(3,633)	(5)%
Total deposits	$ 148,711	$ 148,252	$ 459	—
Performance Ratios				
Return on average assets	1.79 %	2.16 %		
Noninterest income to total revenue	41 %	45 %		
Efficiency	41 %	41 %		
Other Information				
Consolidated revenue from: (a)				
Treasury Management (b)	$ 1,958	$ 1,609	$ 349	22 %
Commercial mortgage banking activities:				
Commercial mortgage loans held for sale (c)	$ 62	$ 103	$ (41)	(40)%
Commercial mortgage loan servicing income (d)	204	244	(40)	(16)%
Commercial mortgage servicing rights valuation, net of economic hedge	99	64	35	55 %
Total	$ 365	$ 411	$ (46)	(11)%
MSR asset value (e)	$ 1,132	$ 703	$ 429	61 %
Average loans by C&IB business				
Corporate Banking	$ 101,826	$ 78,975	$ 22,851	29 %
Real Estate	44,427	42,313	2,114	5 %
Business Credit	27,913	23,367	4,546	19 %
Commercial Banking	9,500	12,435	(2,935)	(24)%
Other	7,420	3,669	3,751	102 %
Total average loans	$ 191,086	$ 160,759	$ 30,327	19 %
Credit-related statistics				
Nonperforming assets (e)	$ 779	$ 1,061	$ (282)	(27)%
Net charge-offs - loans and leases	$ 43	$ 290	$ (247)	(85)%

*- Not Meaningful

(a) See the additional revenue discussion regarding treasury management 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 commercial mortgage banking income for valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, origination 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 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) As of September 30.

Corporate & Institutional Banking earnings in the first nine months of 2022 decreased $102 million compared to the same period in 2021 driven by a higher provision for credit losses, higher noninterest expense and lower noninterest income, substantially offset by higher net interest income.

Net interest income increased in the comparison primarily due to higher average loan balances, reflecting the addition of BBVA and organic growth, as well as wider interest rate spreads on the value of deposits, partially offset by narrower interest rate spreads on the value of loans.

Noninterest income decreased in the comparison driven by lower capital markets related fees and commercial mortgage banking activities, partially offset by higher treasury management product revenue.

Noninterest expense increased in the comparison largely due to the addition of BBVA operating expenses and continued investments in strategic initiatives.

Average loans increased compared to the nine months ended September 30, 2021 due to increases in Corporate Banking, Business Credit and Real Estate, partially offset by a decrease in Commercial Banking:

- 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 increased, driven by strong new production and higher average utilization of loan commitments as well as the addition of 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 business assets. Average loans for this business increased, primarily driven by higher utilization of loan commitments and new production.
- 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 and new production, partially offset by lower average utilization of loan commitments.
- Commercial Banking provides lending, treasury management and capital markets related products and services to smaller corporations and businesses. Average loans for this business declined primarily driven by PPP loan forgiveness, partially offset by loans from BBVA.

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 slightly compared to the nine months ended September 30, 2021. We continue to actively monitor the interest rate environment and make adjustments to evolving market conditions, bank funding needs and client relationship dynamics.

In 2021, the BBVA acquisition accelerated Corporate & Institutional Banking's geographic expansion. Following the BBVA acquisition and our de novo expansion efforts, we are now a coast-to-coast franchise and have a presence in the 30 largest U.S. metropolitan statistical areas. These expanded locations complement Corporate & Institutional Banking's existing national businesses with a significant presence in these cities and our full suite of commercial products and services is now offered nationally.

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 and noninterest income, as appropriate. 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 where the customer relationship exists. The Other Information section in Table 12 includes the consolidated revenue to PNC for treasury management and commercial mortgage banking 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 provides wholesale money transfer processing capabilities between the U.S. and Mexico and other countries primarily in Central and South America. 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 includes revenue from all treasury management customer deposit balances. Compared to the first nine months of 2021, treasury management revenue increased due to wider interest rate spreads on the value of deposits and higher noninterest income, including the impact of the BBVA acquisition.

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

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 noninterest income generated from these revenue streams is reflected in the capital markets related category on the Consolidated Income Statement. Compared to the first nine months of 2021, capital markets related noninterest income decreased due to lower equity capital markets advisory fees, lower underwriting fees and lower merger and acquisition fees. These decreases were partially offset by higher fees on customer-related derivatives activities and higher loan syndication fees.

Asset Management Group

The Asset Management Group strives to be the leading relationship-based provider of investment, planning, credit and cash management solutions and fiduciary services to affluent individuals and institutions by endeavoring to proactively deliver value-added ideas, solutions and exceptional service. 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) Nine months ended September 30 Dollars in millions, except as noted	2022	2021	Change $	Change %
Income Statement				
Net interest income	$ 456	$ 346	$ 110	32 %
Noninterest income	713	729	(16)	(2)%
Total revenue	1,169	1,075	94	9 %
Provision for credit losses	11	8	3	38 %
Noninterest expense	795	676	119	18 %
Pretax earnings	363	391	(28)	(7)%
Income taxes	85	91	(6)	(7)%
Earnings	$ 278	$ 300	$ (22)	(7)%
Average Balance Sheet				
Loans				
Consumer				
Residential real estate	$ 7,756	$ 4,608	$ 3,148	68 %
Other consumer	4,605	4,249	356	8 %
Total consumer	12,361	8,857	3,504	40 %
Commercial	1,577	1,629	(52)	(3)%
Total loans	$ 13,938	$ 10,486	$ 3,452	33 %
Total assets	$ 14,360	$ 11,124	$ 3,236	29 %
Deposits				
Noninterest-bearing	$ 2,852	$ 2,884	$ (32)	(1)%
Interest-bearing	28,564	21,590	6,974	32 %
Total deposits	$ 31,416	$ 24,474	$ 6,942	28 %
Performance Ratios				
Return on average assets	2.59 %	3.61 %		
Noninterest income to total revenue	61 %	68 %		
Efficiency	68 %	63 %		
Supplemental Noninterest Income Information				
Asset management fees	$ 693	$ 713	$ (20)	(3)%
Brokerage fees	6	6		—
Total	$ 699	$ 719	$ (20)	(3)%
Other Information				
Nonperforming assets (a)	$ 95	$ 80	$ 15	19 %
Net charge-offs (recoveries) - loans and leases	$ (1)	$ 1	$ (2)	(200)%
Brokerage account client assets (in billions) (a)	$ 4	$ 5	$ (1)	(20)%
Client Assets Under Administration (in billions) (a) (b)				
Discretionary client assets under management	$ 166	$ 183	$ (17)	(9)%
Nondiscretionary client assets under administration	148	170	(22)	(13)%
Total	$ 314	$ 353	$ (39)	(11)%
Discretionary client assets under management				
PNC Private Bank	$ 99	$ 117	$ (18)	(15)%
Institutional Asset Management	67	66	1	2 %
Total	$ 166	$ 183	$ (17)	(9)%

(a) As of September 30.
(b) Excludes brokerage account client assets.

The Asset Management Group consists of two primary businesses: PNC Private Bank and Institutional Asset Management.

The PNC Private Bank is focused on being a premier private bank in each of the markets it serves. The business seeks to deliver high quality banking, trust, and investment management services to our emerging affluent, high net worth and ultra-high net worth clients through a broad array of products and services.

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.

With the inclusion of BBVA, PNC Private Bank has approximately 100 offices operating in nine of the ten most affluent states in the U.S. with a majority co-located within retail banking branches.

Asset Management Group earnings in the first nine months of 2022 decreased $22 million compared to the same period in 2021 driven by higher noninterest expense and lower noninterest income, partially offset by higher net interest income.

Net interest income increased in the comparison due to growth in average deposit and loan balances, reflecting the BBVA acquisition and organic growth, as well as wider interest rate spreads on the value of deposits.

Noninterest income decreased in the comparison primarily attributable to the asset management fee impact from net client outflows.

Noninterest expense increased in the comparison due to the impact of BBVA operations and strategic investments to support business growth.

Discretionary client assets under management decreased in comparison to the prior year, primarily due to lower equity markets as of September 30, 2022.

Risk Management

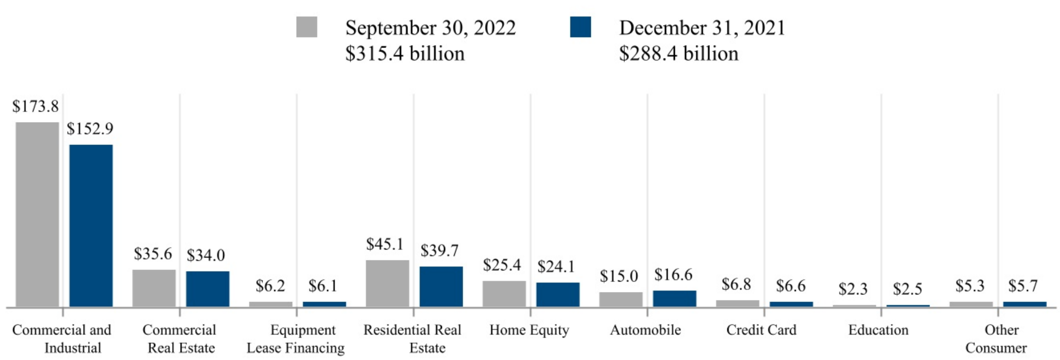
The Risk Management section included in Item 7 of our 2021 Form 10-K describes our enterprise risk management framework including risk culture, enterprise strategy, risk governance and oversight framework, risk identification, risk assessments, risk controls and monitoring, and risk aggregation and reporting. Additionally, our 2021 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).

Credit Risk Management

Credit risk, including our credit risk management processes, is described in further detail in the Credit Risk Management section of our 2021 Form 10-K. The following provides additional information around our loan portfolio, which is our most significant concentration of credit risk.

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 included 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 55% and 53% of our total loan portfolio at September 30, 2022 and December 31, 2021, 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, owner-occupied 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 geographies that may exist in our portfolio. Our commercial and industrial portfolio is well-diversified as shown in the following table which provides a breakout by industry classification (classified based on the North American Industry Classification System).

Table 15: Commercial and Industrial Loans by Industry

	September 30, 2022		December 31, 2021	
Dollars in millions	Amount	% of Total	Amount	% of Total
Commercial and industrial				
Manufacturing	$ 28,629	16 %	$ 22,597	15 %
Retail/wholesale trade	27,532	16	22,803	15
Service providers	22,043	13	20,750	14
Financial services	21,590	12	17,950	12
Real estate related (a)	17,513	10	15,123	10
Technology, media & telecommunications	11,366	7	10,070	7
Health care	10,420	6	9,944	7
Transportation and warehousing	7,977	5	7,136	5
Other industries	26,743	15	26,560	15
Total commercial and industrial loans	$ 173,813	100 %	$ 152,933	100 %

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

Commercial and industrial loan growth from December 31, 2021 was driven by new production and higher utilization of loan commitments, partially offset by PPP loan forgiveness. PPP loans outstanding totaled $0.6 billion and $3.4 billion at September 30, 2022 and December 31, 2021, respectively.

Commercial Real Estate
Commercial real estate loans comprised $21.6 billion related to commercial mortgages on income-producing properties, $6.2 billion of real estate construction project loans and $7.8 billion of intermediate-term financing loans as of September 30, 2022. Comparable amounts as of December 31, 2021 were $18.6 billion, $7.3 billion and $8.1 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 and quality, 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

	September 30, 2022		December 31, 2021	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography (a)				
California	$ 5,908	17 %	$ 5,561	16 %
Texas	3,761	11	3,458	10
Florida	3,085	9	2,987	9
Virginia	1,733	5	1,720	5
Pennsylvania	1,594	4	1,482	4
Maryland	1,527	4	1,557	5
Illinois	1,413	4	970	3
Colorado	1,239	3	1,126	3
Ohio	1,212	3	1,219	4
Arizona	1,114	3	855	3
Other	13,006	37	13,080	38
Total commercial real estate loans	$ 35,592	100 %	$ 34,015	100 %
Property Type (a)				
Multifamily	$ 13,272	37 %	$ 10,581	31 %
Office	9,268	26	9,547	28
Industrial/warehouse	3,509	10	2,413	7
Retail	2,857	8	3,570	10
Seniors housing	2,289	6	2,602	8
Hotel/motel	1,950	5	2,008	6
Mixed use	704	2	724	2
Other	1,743	6	2,570	8
Total commercial real estate loans	$ 35,592	100 %	$ 34,015	100 %

(a) Presented in descending order based on loan balances at September 30, 2022.

As remote work continues to be a feasible alternative and notable portions of leased space remain unoccupied, real estate related to the office sector is an area of continuing uncertainty. Evolving conditions suggest a structural change for office demand moving forward; however, the change is anticipated to develop over time. PNC continues to closely monitor our exposure in the office sector as these concerns develop, and while internal risk and regulatory classification assessments have moved higher, we have not seen a notable change in loan performance at this time.

Consumer

Residential Real Estate

Residential real estate loans primarily consisted of residential mortgage loans at both September 30, 2022 and December 31, 2021.

We obtain loan attributes at origination, including 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.

The following table presents certain key statistics related to our residential real estate portfolio:

Table 17: Residential Real Estate Loan Statistics

	September 30, 2022		December 31, 2021	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography (a)				
California	$ 18,121	40 %	$ 15,041	38 %
Texas	4,224	9	4,397	11
Florida	3,337	7	3,124	8
Washington	2,842	6	1,909	5
New Jersey	1,893	4	1,660	4
New York	1,514	3	1,279	3
Arizona	1,431	3	1,435	4
Colorado	1,174	3	1,145	3
Pennsylvania	1,173	3	1,069	3
Illinois	959	2	957	2
Other	8,389	20	7,696	19
Total residential real estate loans	$ 45,057	100 %	$ 39,712	100 %
	September 30, 2022		December 31, 2021	
Weighted-average loan origination statistics (b)				
Loan origination FICO score		771		775
LTV of loan originations		69 %		67 %

(a) Presented in descending order based on loan balances at September 30, 2022.
(b) Weighted-averages calculated for the twelve months ended September 30, 2022 and December 31, 2021, respectively.

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 $39.8 billion at September 30, 2022 with 44% located in California. Comparable amounts at December 31, 2021 were $34.9 billion and 42%, respectively.

<u>Home Equity</u>
Home equity loans comprised $18.6 billion of primarily variable-rate home equity lines of credit and $6.8 billion of closed-end home equity installment loans at September 30, 2022. Comparable amounts were $15.8 billion and $8.3 billion as of December 31, 2021, 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.

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 a 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 certain key statistics related to our home equity portfolio:

Table 18: Home Equity Loan Statistics

	September 30, 2022		December 31, 2021	
Dollars in millions	Amount	% of Total	Amount	% of Total
Geography (a)				
Pennsylvania	$ 5,093	20 %	$ 5,108	21 %
New Jersey	3,230	13	3,117	13
Ohio	2,370	9	2,398	10
Florida	1,972	8	1,701	7
Michigan	1,263	5	1,246	5
Maryland	1,239	5	1,206	5
Illinois	1,130	4	1,154	5
Texas	1,061	4	978	4
California	1,054	4	705	3
North Carolina	965	4	918	4
Other	5,990	24	5,530	23
Total home equity loans	$ 25,367	100 %	$ 24,061	100 %
Lien type				
1st lien		60 %		62 %
2nd lien		40		38
Total		100 %		100 %
Weighted-average loan origination statistics (b)	September 30, 2022		December 31, 2021	
Loan origination FICO score		775		782
LTV of loan originations		67 %		66 %

(a) Presented in descending order based on loan balances at September 30, 2022.
(b) Weighted-averages calculated for the twelve months ended September 30, 2022 and December 31, 2021, respectively.

<u>*Automobile*</u>
Auto loans comprised $13.9 billion in the indirect auto portfolio and $1.1 billion in the direct auto portfolio as of September 30, 2022. Comparable amounts as of December 31, 2021 were $15.4 billion and $1.2 billion, respectively. The indirect auto portfolio consists of loans originated primarily 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 Statistics (a)

	September 30, 2022	December 31, 2021
Weighted-average loan origination FICO score (b)		
Indirect auto	787	791
Direct auto	777	775
Weighted-average term of loan originations - in months		
Indirect auto	73	72
Direct auto	63	62

(a) Weighted-averages calculated for the twelve months ended September 30, 2022 and December 31, 2021, respectively.
(b) Calculated 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. At September 30, 2022, the portfolio balance was composed of 51% new vehicle loans and 49% used vehicle loans. Comparable amounts at December 31, 2021 were 53% and 47%, 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 2021 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

			Change	
Dollars in millions	September 30, 2022	December 31, 2021	$	%
Nonperforming loans				
Commercial	$ 903	$ 1,168	$ (265)	(23)%
Consumer (a)	1,165	1,312	(147)	(11)%
Total nonperforming loans	2,068	2,480	(412)	(17)%
OREO and foreclosed assets	33	26	7	27 %
Total nonperforming assets	$ 2,101	$ 2,506	$ (405)	(16)%
TDRs included in nonperforming loans	$ 676	$ 988	$ (312)	(32)%
Percentage of total nonperforming loans	33 %	40 %		
Nonperforming loans to total loans	0.66 %	0.86 %		
Nonperforming assets to total loans, OREO and foreclosed assets	0.67 %	0.87 %		
Nonperforming assets to total assets	0.38 %	0.45 %		
Allowance for loan and lease losses to nonperforming loans	222 %	196 %		
Allowance for credit losses to nonperforming loans (b)	254 %	223 %		

(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) Calculated excluding allowances for investment securities and other financial assets.

The following table provides details on the change in nonperforming assets for the nine months ended September 30, 2022 and 2021:

Table 21: Change in Nonperforming Assets

In millions	2022	2021
January 1	$ 2,506	$ 2,337
Acquired nonperforming assets (a)		880
New nonperforming assets	1,177	821
Charge-offs and valuation adjustments	(196)	(202)
Principal activity, including paydowns and payoffs	(729)	(783)
Asset sales and transfers to loans held for sale	(30)	(131)
Returned to performing status	(627)	(363)
September 30	$ 2,101	$ 2,559

(a) Represents the June 30, 2021 balance of nonperforming assets attributable to BBVA.

As of September 30, 2022, approximately 98% 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 50% of total residential real estate nonperforming loans while home equity TDRs comprised 32% of home equity nonperforming loans at September 30, 2022. Comparable amounts at December 31, 2021 were 42% and 36%, 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. See Troubled Debt Restructurings and Loan Modifications within this Credit Risk

Management section for more information on how certain loans to borrowers experiencing COVID-19 related difficulties were treated prior to the expiration of CARES Act TDR relief.

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.

We manage credit risk based on the risk profile of the borrower, repayment sources, underlying collateral, and other support given current events, economic conditions and expectations. We refine our practices to meet the changing environment resulting from rising inflation levels, supply chain disruptions, higher rates, and secular changes fostered by the COVID-19 pandemic. To mitigate losses and enhance customer support, we have customer assistance, loan modification and collection programs that align with the CARES Act and subsequent interagency guidance. As a result, under the CARES Act credit reporting rules, certain loans modified due to COVID-19 related hardships are not being reported as past due as of September 30, 2022 and December 31, 2021 based on the contractual terms of the loan, even where borrowers may not be making payments on their loans during the modification period.

The following table presents a summary of accruing loans past due by delinquency status:

Table 22: Accruing Loans Past Due (a)

	Amount		Change		% of Total Loans Outstanding	
Dollars in millions	September 30 2022	December 31 2021	$	%	September 30 2022	December 31 2021
Early stage loan delinquencies						
Accruing loans past due 30 to 59 days	$ 879	$ 1,011	$ (132)	(13)%	0.28 %	0.35 %
Accruing loans past due 60 to 89 days	268	355	(87)	(25)%	0.08 %	0.12 %
Total early stage loan delinquencies	1,147	1,366	(219)	(16)%	0.36 %	0.47 %
Late stage loan delinquencies						
Accruing loans past due 90 days or more	479	619	(140)	(23)%	0.15 %	0.21 %
Total accruing loans past due	$ 1,626	$ 1,985	$ (359)	(18)%	0.52 %	0.69 %

(a) Past due loan amounts include government insured or guaranteed loans of $0.4 billion and $0.5 billion at September 30, 2022 and December 31, 2021, respectively.

The decline in accruing loans past due from December 31, 2021 was driven by lower consumer delinquencies, which included the resolution of BBVA USA conversion-related administrative and operational delays.

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 met certain criteria under the CARES Act were not categorized as TDRs during the relief period, which expired on January 1, 2022. Consistent with the expiration of the CARES Act TDR relief (and as amended by the Consolidated Appropriations Act), loans that experience a COVID-19 related hardship and are restructured after January 1, 2022 are subject to existing GAAP guidance related to TDRs.

The following table provides a summary of troubled debt restructurings at September 30, 2022 and December 31, 2021, respectively:

Table 23: Summary of Troubled Debt Restructurings (a)

Dollars in millions	September 30 2022	December 31 2021	Change $	Change %
Commercial	$ 533	$ 672	$ (139)	(21)%
Consumer	854	919	(65)	(7)%
Total TDRs	$ 1,387	$ 1,591	$ (204)	(13)%
Nonperforming	$ 676	$ 988	$ (312)	(32)%
Accruing (b)	711	603	108	18 %
Total TDRs	$ 1,387	$ 1,591	$ (204)	(13)%

(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 33% of total nonperforming loans and 49% of total TDRs at September 30, 2022. Comparable amounts at December 31, 2021 were 40% and 62%, 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

PNC provides relief to our customers through a variety of solutions. Commercial loan and lease modifications are based on each individual borrower's situation and may involve reduction of the interest rate, extension of the loan term and/or forgiveness of principal. Consumer loan modifications are evaluated under our hardship relief programs, including COVID-19 related hardships that extended beyond the initial relief period.

See Troubled Debt Restructurings within this Credit Risk Management section for more information on how certain loans to borrowers experiencing COVID-19 related difficulties were treated prior to the expiration of CARES Act TDR relief.

For additional information related to loan modifications granted in response to the economic impacts of COVID-19, see the Credit Risk Management portion of the Risk Management section of our 2021 Form 10-K.

Allowance for Credit Losses

Our determination of the ACL is based on historical loss and performance experience, current economic conditions, reasonable and supportable forecasts of future conditions and other relevant factors, including current borrower and/or transaction characteristics. We maintain the ACL at an appropriate level for expected losses on our existing investment securities, loans, equipment finance leases, trade receivables and other financial assets and off-balance sheet credit exposures and determine this allowance based on quarterly assessments of the remaining estimated contractual term of the assets or exposures as of the balance sheet date.

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K and the Credit Risk Management section within Item 7 of our 2021 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 September 30, 2022.

The following table summarizes our ACL related to loans:

Table 24: Allowance for Credit Losses by Loan Class (a)

	September 30, 2022			December 31, 2021		
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	$ 1,974	$ 173,813	1.14 %	$ 1,879	$ 152,933	1.23 %
Commercial real estate	994	35,592	2.79 %	1,216	34,015	3.57 %
Equipment lease financing	93	6,192	1.50 %	90	6,130	1.47 %
Total commercial	3,061	215,597	1.42 %	3,185	193,078	1.65 %
Consumer						
Residential real estate	50	45,057	0.11 %	21	39,712	0.05 %
Home equity	215	25,367	0.85 %	149	24,061	0.62 %
Automobile	214	15,025	1.42 %	372	16,635	2.24 %
Credit card	732	6,774	10.81 %	712	6,626	10.75 %
Education	64	2,287	2.80 %	71	2,533	2.80 %
Other consumer	245	5,293	4.63 %	358	5,727	6.25 %
Total consumer	1,520	99,803	1.52 %	1,683	95,294	1.77 %
Total	4,581	$ 315,400	1.45 %	4,868	$ 288,372	1.69 %
Allowance for unfunded lending related commitments	682			662		
Allowance for credit losses	$ 5,263			$ 5,530		
Allowance for credit losses to total loans			1.67 %			1.92 %
Commercial			1.70 %			1.94 %
Consumer			1.60 %			1.87 %

(a) Excludes allowances for investment securities and other financial assets, which together totaled $162 million and $171 million at September 30, 2022 and December 31, 2021, respectively.

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

Table 25: Loan Charge-Offs and Recoveries

Nine months ended September 30 Dollars in millions	Gross Charge-offs	Recoveries	Net Charge-offs / (Recoveries)	% of Average Loans (Annualized)
2022				
Commercial				
Commercial and industrial	$ 136	$ 68	$ 68	0.06 %
Commercial real estate	22	3	19	0.07 %
Equipment lease financing	4	7	(3)	(0.07) %
Total commercial	162	78	84	0.05 %
Consumer				
Residential real estate	9	15	(6)	(0.02) %
Home equity	9	58	(49)	(0.27) %
Automobile	118	100	18	0.15 %
Credit card	194	43	151	3.09 %
Education	12	4	8	0.44 %
Other consumer	164	31	133	3.20 %
Total consumer	506	251	255	0.35 %
Total	$ 668	$ 329	$ 339	0.15 %
2021				
Commercial				
Commercial and industrial	$ 350	$ 68	$ 282	0.27 %
Commercial real estate	34	5	29	0.12 %
Equipment lease financing	9	8	1	0.02 %
Total commercial	393	81	312	0.23 %
Consumer				
Residential real estate	11	20	(9)	(0.04) %
Home equity	16	63	(47)	(0.26) %
Automobile	120	117	3	0.03 %
Credit card	196	36	160	3.52 %
Education	11	6	5	0.24 %
Other consumer	130	21	109	2.77 %
Total consumer	484	263	221	0.36 %
Total	$ 877	$ 344	$ 533	0.27 %

Total net charge-offs decreased $194 million, or 36%, for the first nine months of 2022 compared to the same period in 2021. Declines were driven by fewer commercial net charge-offs, which in the comparative period included charge-offs attributable to BBVA that 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 2021 Form 10-K and Note 4 Loans and Related Allowance for Credit Losses in the Notes To Consolidated Financial Statements included in this Report for additional information.

Liquidity and Capital Management

Liquidity risk, including our liquidity monitoring measures and tools, is described in further detail in the Liquidity and Capital Management section of our 2021 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. PNC and PNC Bank calculate the LCR daily, and as of September 30, 2022, the LCR for PNC and PNC Bank exceeded the minimum requirement of 100%.

The NSFR is designed to measure the stability of the maturity structure of assets and liabilities of banking organizations over a one-year time horizon. PNC and PNC Bank are required to calculate the NSFR on an ongoing basis, and as of September 30, 2022, the NSFR for PNC and PNC Bank exceeded the minimum requirement of 100%.

We provide additional information regarding regulatory liquidity requirements and their potential impact on us in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2021 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 decreased to $438.2 billion at September 30, 2022 from $457.3 billion at December 31, 2021, driven by decreases in both noninterest-bearing and interest-bearing deposits. See the Funding Sources portion of the Consolidated Balance Sheet Review section of this Financial Review for additional information related to our deposits. Additionally, certain assets determined by us to be liquid as well as unused borrowing capacity from a number of sources are also available to manage our liquidity position.

At September 30, 2022, 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 $51.0 billion and securities available for sale totaling $45.8 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. PNC pledges securities as collateral to secure public and trust deposits, repurchase agreements and for other purposes. Pledged securities included $20.0 billion of securities held to maturity and an immaterial amount of available for sale and trading securities.

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 Financial Review, Note 8 Borrowed Funds in the Notes To Consolidated Financial Statements included in this Report and Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K for additional information related to our borrowings.

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

Table 26: Senior and Subordinated Debt

In billions	2022
January 1	$ 27.7
Issuances	0.9
Calls and maturities	(5.8)
Other	(2.2)
September 30	$ 20.6

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 September 30, 2022, PNC Bank had $9.3 billion of notes outstanding under this program of which $4.5 billion were senior bank notes and $4.8 billion were subordinated bank notes.

PNC Bank maintains additional secured borrowing capacity with the FHLB-Pittsburgh and through the Federal Reserve Bank discount window. The Federal Reserve Bank, however, is not viewed as a primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. At September 30, 2022, our unused secured borrowing capacity at the FHLB-Pittsburgh and the Federal Reserve Bank totaled $63.9 billion.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. At September 30, 2022, 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 its 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 liquidity to fund discretionary activities such as paying dividends to our shareholders, share repurchases and acquisitions.

At September 30, 2022, available parent company liquidity totaled $8.8 billion. Parent company liquidity is held in intercompany cash and investments. For investments with longer durations, 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 or other capital distributions it receives from PNC Bank, which may be impacted by the following:

- Bank-level capital needs,
- Laws, regulations and the results of supervisory activities,
- Corporate policies,
- Contractual restrictions, and
- Other factors.

There are statutory and regulatory limitations on the ability of a national bank to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank to the parent company without prior regulatory approval was $2.4 billion at September 30, 2022. See Note 20 Regulatory Matters in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K for further discussion of these limitations.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. We can also generate liquidity for the parent company and PNC’s non-bank subsidiaries through the issuance of debt and equity securities, including certain capital instruments, in public or private markets and commercial paper. Authorized by the Board of Directors, the parent company has the ability to offer up to $5.0 billion of commercial paper to provide additional liquidity. At September 30, 2022, there were no commercial paper issuances outstanding.

Parent company senior and subordinated debt outstanding totaled $10.0 billion and $11.4 billion at September 30, 2022 and December 31, 2021, respectively.

See Note 17 Subsequent Events in the Notes To Consolidated Financial Statements of this Report for details on the parent company's issuance of $1.0 billion of its 5.671% senior fixed-to-floating rate notes that mature on October 28, 2025, and $1.5 billion of its 6.037% senior fixed-to-floating rate notes that mature on October 28, 2033.

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 of our 2021 Form 10-K for more information on these future cash outflows. Additionally, in the normal course of business we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. We provide information on our commitments in Note 9 Commitments in the Notes To Consolidated Financial Statements of this Report.

Credit Ratings

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

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

The following table presents credit ratings for PNC and PNC Bank as of September 30, 2022:

Table 27: Credit Ratings for PNC and PNC Bank

	September 30, 2022		
	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	Aa3	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 is included in the Supervision and Regulation section of Item 1 of our 2021 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 August 19, 2022, PNC issued 1,250,000 depositary shares each representing 1/100th ownership in a share of 6.200% fixed-rate reset non-cumulative perpetual preferred stock, Series V, with a par value of $1 per share.

See Note 17 Subsequent Events in the Notes To Consolidated Financial Statements of this Report for details on the redemption of $1.5 billion Series P preferred stock on November 1, 2022.

In the third quarter of 2022, PNC returned $1.7 billion of capital to shareholders, an increase of $0.3 billion from the second quarter of 2022, due to higher share repurchases. Capital return in the third quarter of 2022 was comprised of $1.1 billion of common share repurchases, representing 6.7 million shares, and $0.6 billion of dividends on common shares. Consistent with the SCB framework, which allows for capital return in amounts in excess of the SCB minimum levels, our Board of Directors has authorized a repurchase framework under the previously approved repurchase program of up to 100 million common shares, of which approximately 53% were still available for repurchase at September 30, 2022. Under this framework, PNC expects its quarterly repurchases to approximate $700 million to $750 million with the ability to adjust those levels as conditions warrant. PNC's SCB for the four-quarter period beginning October 1, 2022 is 2.9%.

On October 3, 2022, the PNC Board of Directors declared a quarterly cash dividend on common stock of $1.50 per share payable on November 5, 2022.

Table 28: Basel III Capital

Dollars in millions	September 30, 2022 Basel III (a)	September 30, 2022 Fully Implemented (estimated) (b)
Common equity Tier 1 capital		
Common stock plus related surplus, net of treasury stock	(2,847)	(2,847)
Retained earnings	53,501	52,777
Goodwill, net of associated deferred tax liabilities	(10,761)	(10,761)
Other disallowed intangibles, net of deferred tax liabilities	(398)	(398)
Other adjustments/(deductions)	(123)	(127)
Common equity Tier 1 capital (c)	39,372	38,644
Additional Tier 1 capital		
Preferred stock plus related surplus	7,245	7,245
Tier 1 capital	46,617	45,889
Additional Tier 2 capital		
Qualifying subordinated debt	3,646	3,646
Eligible credit reserves includable in Tier 2 capital	4,252	4,968
Total Basel III capital	$ 54,515	$ 54,503
Risk-weighted assets		
Basel III standardized approach risk-weighted assets (d)	$ 423,446	$ 423,593
Average quarterly adjusted total assets	$ 539,869	$ 539,141
Supplementary leverage exposure (e)	$ 639,250	$ 639,246
Basel III risk-based capital and leverage ratios (f)		
Common equity Tier 1	9.3 %	9.1 %
Tier 1	11.0 %	10.8 %
Total	12.9 %	12.9 %
Leverage (g)	8.6 %	8.5 %
Supplementary leverage ratio (e)	7.3 %	7.2 %

(a) The ratios are calculated to reflect PNC's election to adopt the CECL five-year transition provisions. Effective for the first quarter 2022, PNC is now in the three-year transition period and the full impact of the CECL standard is being phased-in to regulatory capital through December 31, 2024.
(b) The ratios are calculated to reflect the full impact of CECL and excludes the benefits of the optional five-year transition.
(c) As permitted, PNC and PNC Bank have elected to exclude AOCI related to both available for sale securities and pension and other post-retirement plans from CET1 capital.
(d) Basel III standardized approach risk-weighted assets are based on the Basel III standardized approach rules and include credit and market risk-weighted assets.
(e) 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.
(f) All ratios are calculated using the regulatory capital methodology applicable to PNC and calculated based on the standardized approach.
(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 certain banks, including PNC, 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 adoption. Effective for the first quarter of 2022, PNC is now in the three-year transition period, and the full impact of the CECL standard is being phased-in to regulatory capital through December 31, 2024. See additional discussion of this rule in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of our 2021 Form 10-K.

At September 30, 2022, PNC and PNC Bank 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 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 September 30, 2022 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 2021 Form 10-K.

Market Risk Management

See the Market Risk Management portion of the Risk Management Section in our 2021 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 third quarters of 2022 and 2021 follow:

Table 29: Interest Sensitivity Analysis

	Third Quarter 2022	Third Quarter 2021
Net Interest Income Sensitivity Simulation		
Effect on net interest income in first year from gradual interest rate change over the following 12 months of:		
100 basis point increase	2.5 %	4.5 %
100 basis point decrease (a)	(2.5)%	N/A
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	4.5 %	11.3 %
100 basis point decrease (a)	(4.8)%	N/A

(a) Due to the prevailing low interest rate environment post pandemic, the reporting of Net interest income sensitivities for the 100 basis point decrease scenario was suspended from the first quarter of 2020 to the first quarter of 2022.

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

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

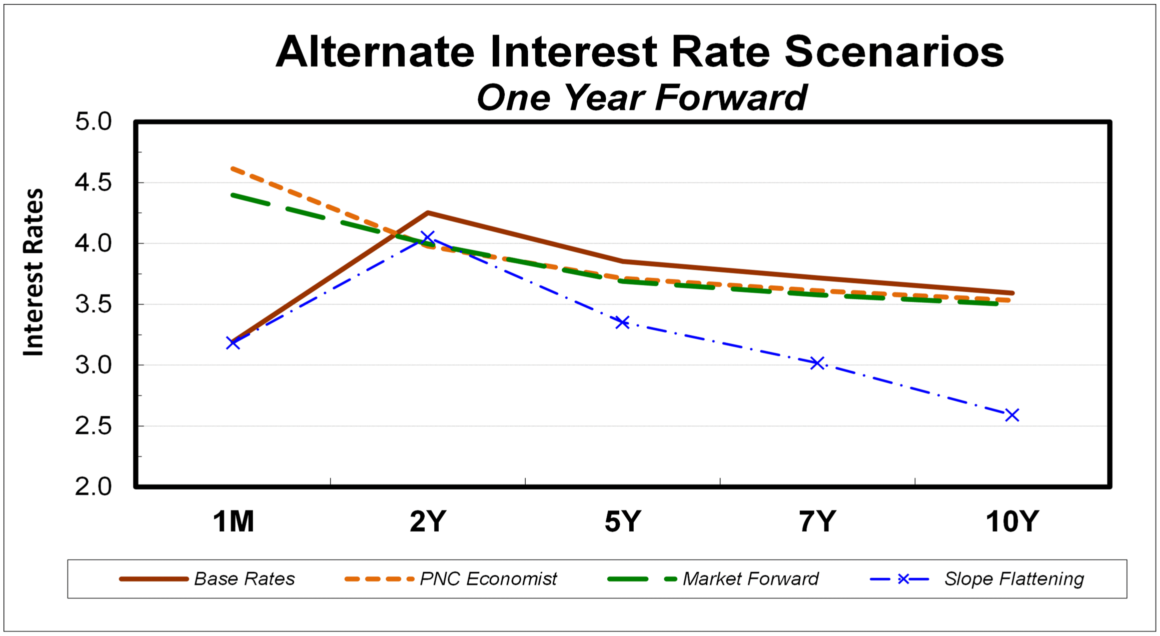
Table 30: Net Interest Income Sensitivity to Alternative Rate Scenarios

	September 30, 2022		
	PNC Economist	Market Forward	Slope Flattening
First year sensitivity	3.5 %	4.2 %	(0.5) %
Second year sensitivity	(4.3) %	(3.0)%	(2.7) %

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

The following graph presents the SOFR curves for the base rate scenario and each of the alternate scenarios one year forward:

Table 31: Alternate Interest Rate Scenarios: One Year Forward



The third quarter 2022 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.

LIBOR Transition

The scheduled discontinuance of the requirement that banks submit rates for the calculation of LIBOR after June 30, 2023 presents risks to the financial instruments originated, held or serviced by PNC that use LIBOR as a reference rate. For more discussion regarding the transition from LIBOR, see the Risk Management section in Item 7 of our 2021 Form 10-K.

Key efforts related to our transition plan to date have 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,
- Monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments,
- Incorporating BBVA into PNC’s LIBOR transition effort, and
- Initiating the offering of instruments referencing alternative rates in order to align with regulatory guidance encouraging the transition away from the use of USD LIBOR in new contracts after December 31, 2021.

As of December 31, 2021, PNC Bank ceased entering into new contracts with a LIBOR reference rate, except on a limited basis, as permissible. PNC is offering conforming adjustable rate mortgages using SOFR instead of USD LIBOR, in line with Fannie Mae and Freddie Mac requirements, and nonconforming adjustable rate residential mortgages using SOFR and private education loans using Prime. Alternative rates, primarily SOFR, are currently offered to our corporate and commercial customers. The focus for 2022 is planning for the cessation event in 2023 for all lines of business. Corporate & Institutional Banking has initiated amending contracts with inadequate fallback language, working on systems enhancements and continuing with client outreach and education. PNC has provided regular updates to Federal Reserve, OCC and FDIC 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 2021 Form 10-K for more information on our models used to calculate VaR and our backtesting process.

Customer-related trading revenue was $291 million for the nine months ended September 30, 2022, compared to $278 million for the nine months ended September 30, 2021. The increase was primarily due to improved interest rate derivative and foreign exchange client sales revenues, partially offset by the impact of changes in credit valuations for customer-related derivative activities.

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, consistent with regulatory limitations. The economic and/or book value of these investments and other assets are directly affected by changes in market factors.

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

A summary of our equity investments follows:

Table 32: Equity Investments Summary

Dollars in millions	September 30 2022	December 31 2021	Change $	Change %
Tax credit investments	$ 3,993	$ 3,954	$ 39	1 %
Private equity and other	4,137	4,226	(89)	(2)%
Total	$ 8,130	$ 8,180	$ (50)	(1)%

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 $2.3 billion and $2.2 billion at September 30, 2022 and December 31, 2021, respectively. 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 Item 8 of our 2021 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 $2.0 billion and $1.8 billion at September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, $1.8 billion was invested directly in a variety of companies and $0.2 billion was invested indirectly through various private equity funds.

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 September 30, 2022 per share closing price of $177.65 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately $1.0 billion at the current conversion rate of Visa B shares to Visa A shares, while our cost basis was insignificant. See Note 15 Fair Value and Note 21 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of our 2021 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 shares' 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 $26 million for the nine months ended September 30, 2022 and $44 million for the nine months ended September 30, 2021.

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 Item 8 of our 2021 Form 10-K and in Note 12 Fair Value and Note 13 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

In August 2022, the President signed into law the Inflation Reduction Act of 2022 (the "Act"). Among other things, including the allocation of $369.0 billion for climate-related spending such as clean energy tax credits and investments, the Act imposes a 15% minimum tax on the adjusted financial statement income of taxpayers like PNC with more than $1.0 billion of such income. The Act also imposes a 1% excise tax on corporate stock repurchases. The minimum tax and excise tax requirements, as written, could impact PNC's cash tax liability.

In October 2022, the Federal Reserve and FDIC jointly issued an advance notice of proposed rulemaking to solicit input on potential changes to the resolution-related requirements applicable to large banking organizations like PNC that are not GSIBs. The advance notice of proposed rulemaking solicits comments and poses specific questions on whether to impose GSIB-like resolution requirements on large banking organizations that are not GSIBs, including a requirement to maintain loss-absorbing capacity at the insured depository institution or holding company in the form of long-term debt, a "clean holding company" requirement that would prohibit top-tier holding companies from entering certain financial arrangements (such as short-term borrowing or derivative contracts), the Federal Reserve's supervisory guidance on recovery planning, separability requirements and certain disclosure requirements currently applicable to GSIBs. Such requirements could, among other things, increase PNC's borrowing costs, require the implementation of new operational capabilities, and require changes to PNC's resolution strategies at the holding company and bank level.

Critical Accounting Estimates and Judgments

Note 1 Accounting Policies in our 2021 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 level 3 fair value measurements are described in Critical Accounting Estimates and Judgments in Item 7 of our 2021 Form 10-K. 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, 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 and performance experience, as well as current borrower and transaction characteristics including collateral type and quality, 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 and to estimate expected credit losses. We evaluate and, when appropriate, enhance the quality of our data and models and other methods used to estimate the 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 major drivers of ACL estimates include:

- Current economic conditions: Our forecast of expected losses depends on economic conditions 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. Changes to probability weights assigned to these scenarios and timing of peak business cycles reflected by the scenarios could materially affect our loss estimates.
- Current borrower quality: Our forecast of expected losses depends on current borrower and transaction characteristics, including credit metrics and collateral type/quality. As borrower quality changes, forecasted losses could be materially affected.
- 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 2021 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, which also determines and approves CECL scenarios' weights for use for the current reporting period.

The scenarios used for the period ended September 30, 2022 reflect an increase in downside risk compared to December 31, 2021. The current outlook considers the inflationary pressures that have broadened and intensified since the start of the year, along with the fact that the FOMC raised interest rates more aggressively than what was expected at December 31, 2021, increasing the risk of a broader-ranged economic slowdown. Though the most-likely expectation continues to be that the U.S. economy narrowly avoids recession, growth is expected to slow and the primary downside risk to the outlook has shifted from the pandemic to monetary policy tightening and inflation.

We used a number of economic variables in our scenarios, with two of the most significant drivers being Real GDP and the U.S. unemployment rate. The following table presents a comparison of these two economic variables based on the weighted-average scenario forecasts used in determining our ACL at September 30, 2022 and December 31, 2021.

Table 33: Key Macroeconomic Variables in CECL Weighted-Average Scenarios

	Assumptions as of September 30, 2022		
	2022	2023	2024
U.S. Real GDP (a)	0.2%	0.1%	1.5%
U.S. Unemployment Rate (b)	3.8%	4.8%	4.7%
	Assumptions as of December 31, 2021		
	2022	2023	2024
U.S. Real GDP (a)	2.8%	1.4%	1.3%
U.S. Unemployment Rate (b)	4.4%	4.1%	3.9%

(a) Represents year-over-year growth rates.
(b) Represents quarterly average rate at December 31, 2022, 2023 and 2024, respectively.

Real GDP growth is expected to end 2022 at 0.2% on a weighted average basis, down from the 2.8% assumed at December 31, 2021 due primarily to weaker expected growth in the second half of 2022, along with the unexpected contraction of GDP in the first and second quarter of 2022. Growth drops to 0.1% in 2023, before growing to 1.5% in 2024. In line with the slowing in overall economic activity, the weighted average unemployment rate is expected to increase modestly to 4.8% in 2023, with unemployment narrowly improving to 4.7% in 2024.

The current state of the economy reflects an environment with receding COVID-19 related risks but heightened uncertainty remains in terms of losses due to structural and secular changes fostered by the pandemic for certain sectors of the economy combined with inflation, rising interest rates and ongoing supply chain pressures. As such, for both our commercial and consumer loan portfolios, PNC identified and performed significant analysis around segments impacted by such uncertainties to ensure our reserves are adequate, given our current macroeconomic expectations.

We believe the economic scenarios effectively reflect the distribution of potential economic outcomes. Additionally, through in-depth and granular analysis we have addressed reserve requirements for the specific populations most affected in the current environment. Through this approach, we believe the reserve levels appropriately reflect the expected credit losses in the portfolio as of the balance sheet date.

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.

Recently Issued Accounting Standards

Accounting Standards Update	Description	Financial Statement Impact
Portfolio Layer Hedging - ASU 2022-01 Issued March 2022	• Required effective date of January 1, 2023; early adoption is permitted. • Permits entities to expand their use of the portfolio layer method (previously the last-of-layer method) for fair value hedges of interest rate risk. • Expands the scope to allow nonprepayable financial assets to be included in a closed portfolio hedge using the portfolio layer method. • Allows multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. • Provides additional guidance on accounting for fair value hedge basis adjustments associated with portfolio layer hedges, generally requiring these adjustments to be maintained at the closed portfolio level and clarifying how these amounts should be disclosed. • Requires a prospective transition approach for designation of multiple hedged layers of a single closed portfolio, a modified retrospective transition approach for hedge basis adjustments under the portfolio layer method, and the option of a prospective or retrospective transition approach for disclosures. • Allows for an election to transfer debt securities classified as held to maturity to available for sale if the portfolio layer hedging method is applied to those securities; the election must be made within 30 days of adoption.	• We are currently evaluating when to adopt the amendments in ASU 2022-01 and the impact of the ASU on our consolidated results of operations and our consolidated financial position.
Troubled Debt Restructurings and Vintage Disclosures - ASU 2022-02 Issued March 2022	• Required effective date of January 1, 2023; early adoption is permitted. • Eliminates the accounting guidance for TDRs and requires an entity to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. • Eliminates the requirement to use a discounted cash flow approach to measure the allowance for credit losses for TDRs. • Enhances disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. • Requires disclosure of current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of CECL. • Requires a prospective transition approach to all amendments except those related to the recognition and measurement of TDRs (which allow a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings in the period of adoption).	• We do not plan to early adopt ASU 2022-02. • We do not expect the adoption of this standard to materially impact our consolidated results of operations or our consolidated financial position. The amendments will require changes to disclosures on information related to loan modifications to borrowers experiencing financial difficulty and current-period gross charge-offs.

Recently Adopted Accounting Pronouncements

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in this Report regarding the impact of new accounting pronouncements which we have adopted.

Internal Controls And Disclosure Controls And Procedures

As of September 30, 2022, 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 September 30, 2022, and that there has been no change in PNC's internal control over financial reporting that occurred during the third quarter of 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 financial performance, such as earnings, revenues, expenses, tax rates, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting us and our future business and operations, including our sustainability strategy, 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 impact of the Russia-Ukraine conflict, and associated sanctions or other actions in response, on the global and U.S. economy,
  - The length and extent of the economic impacts of the COVID-19 pandemic,
  - Impacts of changes in federal, state and local governmental policy, including on the regulatory landscape, capital markets, taxes, infrastructure spending and social programs,
  - PNC's ability to attract, recruit and retain skilled employees, 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 views that:
  - Although real GDP contracted in the first and second quarters of 2022, the U.S. economy is not in a recession. In particular, the labor market remains extremely strong, with average monthly job growth well above the pre-pandemic pace, and the unemployment rate at a 50-year low. Supply-chain difficulties will continue to ease into 2023. Labor shortages will remain a constraint into 2023, although strong wage growth and high levels of household saving will support consumer spending.
  - PNC expects economic growth will be below its long-term trend in the near term as the Federal Reserve continues to tighten monetary policy in an attempt to reduce inflationary pressures, but does not expect a near-term recession. Recession risks over the next few years are elevated, however, because of tighter monetary policy.
  - Inflation has started to slow, but remains near the strongest pace in decades. Inflation should slow further due to softer economic growth and a continued easing in supply-chain difficulties and will return to the Federal Reserve's 2% long-run objective in 2024.

- The FOMC raised the federal funds rate by 0.75% in September, to a range of 3.00% to 3.25%. PNC expects further increases in the federal funds rate through the rest of this year, to a range of 4.25% to 4.50% at the end of 2022. PNC expects the federal funds rate to peak between 4.50% and 4.75% in early 2023, before falling in early 2024 as inflation ebbs and economic growth slows.

- PNC’s ability to take certain capital actions, including returning capital to shareholders, is subject to PNC meeting or exceeding an SCB 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 and the reliability of and risks resulting from extensive use of such 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 employees. These developments could include:
  - Changes to laws and regulations, including changes affecting oversight of the financial services industry, changes in the enforcement and interpretation of such laws and regulations, and changes in accounting and reporting standards.
  - Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries resulting in monetary losses, costs, or alterations in our business practices and potentially causing reputational harm to PNC.
  - Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.
  - 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 reputation and business and operating results may be affected by our ability to appropriately meet or address environmental, social or governance targets, goals, commitments or concerns that may arise.
- 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, the integration of the acquired businesses into PNC after closing or any failure to execute strategic or operational plans.
- 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 manmade, natural and other disasters (including severe weather events), health emergencies, dislocations, geopolitical instabilities or events, terrorist activities, system failures or disruptions, security breaches, cyberattacks, international hostilities, or other extraordinary events beyond PNC's control through impacts on the economy and financial markets generally or on us or our counterparties, customers or third-party vendors and service providers specifically.

We provide greater detail regarding these as well as other factors in our 2021 Form 10-K and subsequent Form 10-Qs and elsewhere in this Report, including in the Risk Factors and Risk Management sections and the Legal Proceedings and Commitments Notes of the Notes To Consolidated Financial Statements in these reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this Report or in our other filings with the SEC.

CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions, except per share data	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Interest Income				
Loans	$ 3,138	$ 2,437	$ 7,935	$ 6,593
Investment securities	715	460	1,890	1,350
Other	279	78	502	216
Total interest income	4,132	2,975	10,327	8,159
Interest Expense				
Deposits	340	29	455	99
Borrowed funds	317	90	542	275
Total interest expense	657	119	997	374
Net interest income	3,475	2,856	9,330	7,785
Noninterest Income				
Asset management and brokerage	357	375	1,099	1,053
Capital markets related	299	482	960	1,117
Card and cash management	671	663	1,962	1,752
Lending and deposit services	287	305	838	829
Residential and commercial mortgage	143	248	463	641
Other	317	268	705	907
Total noninterest income	2,074	2,341	6,027	6,299
Total revenue	5,549	5,197	15,357	14,084
Provision For (Recapture of) Credit Losses	241	(203)	69	(452)
Noninterest Expense				
Personnel	1,805	1,986	5,301	5,103
Occupancy	241	248	745	680
Equipment	344	355	1,026	974
Marketing	93	103	249	222
Other	797	895	2,375	2,232
Total noninterest expense	3,280	3,587	9,696	9,211
Income before income taxes and noncontrolling interests	2,028	1,813	5,592	5,325
Income taxes	388	323	1,027	906
Net income	1,640	1,490	4,565	4,419
Less: Net income attributable to noncontrolling interests	16	16	52	38
Preferred stock dividends	65	57	181	162
Preferred stock discount accretion and redemptions	1	1	4	3
Net income attributable to common shareholders	$ 1,558	$ 1,416	$ 4,328	$ 4,216
Earnings Per Common Share				
Basic	$ 3.78	$ 3.31	$ 10.39	$ 9.84
Diluted	$ 3.78	$ 3.30	$ 10.39	$ 9.83
Average Common Shares Outstanding				
Basic	410	426	414	426
Diluted	410	426	415	427

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions	Three months ended September 30 2022	Three months ended September 30 2021	Nine months ended September 30 2022	Nine months ended September 30 2021
Net income	$ 1,640	$ 1,490	$ 4,565	$ 4,419
Other comprehensive income (loss), before tax and net of reclassifications into Net income				
Net change in debt securities	(1,738)	(323)	(10,768)	(1,471)
Net change in cash flow hedge derivatives	(1,025)	(174)	(3,484)	(727)
Pension and other postretirement benefit plan adjustments	2	2	64	(11)
Net change in Other	4	1	(3)	2
Other comprehensive income (loss), before tax and net of reclassifications into Net income	(2,757)	(494)	(14,191)	(2,207)
Income tax benefit (expense) related to items of other comprehensive income	629	110	3,296	516
Other comprehensive income (loss), after tax and net of reclassifications into Net income	(2,128)	(384)	(10,895)	(1,691)
Comprehensive income (loss)	(488)	1,106	(6,330)	2,728
Less: Comprehensive income attributable to noncontrolling interests	16	16	52	38
Comprehensive income (loss) attributable to PNC	$ (504)	$ 1,090	$ (6,382)	$ 2,690

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

Unaudited In millions, except par value	September 30 2022	December 31 2021
Assets		
Cash and due from banks	$ 6,548	$ 8,004
Interest-earning deposits with banks	40,278	74,250
Loans held for sale (a)	1,126	2,231
Investment securities – available for sale	45,798	131,536
Investment securities – held to maturity	90,653	1,426
Loans (a)	315,400	288,372
Allowance for loan and lease losses	(4,581)	(4,868)
Net loans	310,819	283,504
Equity investments	8,130	8,180
Mortgage servicing rights	3,206	1,818
Goodwill	10,987	10,916
Other (a)	41,932	35,326
Total assets	$ 559,477	$ 557,191
Liabilities		
Deposits		
Noninterest-bearing	$ 138,423	$ 155,175
Interest-bearing	299,771	302,103
Total deposits	438,194	457,278
Borrowed funds		
Federal Home Loan Bank borrowings	30,075	
Bank notes and senior debt	13,357	20,661
Subordinated debt	7,286	6,996
Other (b)	3,915	3,127
Total borrowed funds	54,633	30,784
Allowance for unfunded lending related commitments	682	662
Accrued expenses and other liabilities	19,245	12,741
Total liabilities	512,754	501,465
Equity		
Preferred stock (c)		
Common stock ($5 par value, Authorized 800 shares, issued 543 shares)	2,714	2,713
Capital surplus	19,810	17,457
Retained earnings	52,777	50,228
Accumulated other comprehensive income (loss)	(10,486)	409
Common stock held in treasury at cost: 139 and 123 shares	(18,127)	(15,112)
Total shareholders' equity	46,688	55,695
Noncontrolling interests	35	31
Total equity	46,723	55,726
Total liabilities and equity	$ 559,477	$ 557,191

(a) Our consolidated assets included the following for which we have elected the fair value option: Loans held for sale of $ 1.1 billion, Loans held for investment of $ 1.3 billion and Other assets of $ 0.1 billion at September 30, 2022. Comparable amounts at December 31, 2021 were $1.9 billion, $ 1.5 billion and $ 0.1 billion, respectively.

(b) Our consolidated liabilities included the following for which we have elected the fair value option: Other borrowed funds of less than $ 0.1 billion and Other liabilities of $ 0.2 billion at September 30, 2022. Comparable amounts at December 31, 2021 were less than $0.1 billion and zero.

(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 In millions	Nine months ended September 30 2022	2021
Operating Activities		
Net income	$ 4,565	$ 4,419
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Provision for (recapture of) credit losses	69	(452)
Depreciation and amortization	587	1,215
Deferred income taxes (benefit)	401	(74)
Net losses (gains) on sales of securities	4	(50)
Changes in fair value of mortgage servicing rights	(635)	(8)
Net change in		
Trading securities and other short-term investments	(573)	388
Loans held for sale and related securitization activity	962	(390)
Other assets	(3,512)	(1,504)
Accrued expenses and other liabilities	2,586	341
Other	583	(165)
Net cash provided (used) by operating activities	$ 5,037	$ 3,720
Investing Activities		
Sales		
Securities available for sale	$ 2,765	$ 15,674
Loans	5,353	1,409
Repayments/maturities		
Securities available for sale	11,473	23,829
Securities held to maturity	3,206	67
Purchases		
Securities available for sale	(23,591)	(57,911)
Securities held to maturity	(7,961)	(83)
Loans	(1,681)	(1,564)
Net change in		
Federal funds sold and resale agreements	(905)	(119)
Interest-earning deposits with banks	33,972	23,008
Loans	(31,029)	14,001
Net cash paid for acquisition		(10,511)
Other	(2,275)	(1,538)
Net cash provided (used) by investing activities	$ (10,673)	$ 6,262

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

(Continued from previous page)

Unaudited In millions	Nine months ended September 30 2022	2021
Financing Activities		
Net change in		
Noninterest-bearing deposits	$ (16,748)	$ 7,832
Interest-bearing deposits	(2,332)	(9,826)
Federal funds purchased and repurchase agreements	(1)	91
Other borrowed funds	862	164
Sales/issuances		
Federal Home Loan Bank borrowings	30,075	
Bank notes and senior debt		1,692
Subordinated debt	847	
Other borrowed funds	573	551
Preferred stock	2,225	1,485
Common and treasury stock	58	58
Repayments/maturities		
Federal Home Loan Bank borrowings		(3,680)
Bank notes and senior debt	(5,750)	(3,850)
Other borrowed funds	(591)	(547)
Acquisition of treasury stock	(3,078)	(441)
Preferred stock cash dividends paid	(181)	(162)
Common stock cash dividends paid	(1,779)	(1,523)
Net cash provided (used) by financing activities	$ 4,180	$ (8,156)
Net Increase (Decrease) In Cash And Due From Banks And Restricted Cash	$ (1,456)	$ 1,826
Cash and due from banks and restricted cash at beginning of period	8,004	7,017
Cash and due from banks and restricted cash at end of period	$ 6,548	$ 8,843
Cash and due from banks and restricted cash		
Cash and due from banks at end of period (unrestricted cash)	$ 5,974	$ 8,201
Restricted cash	574	642
Cash and due from banks and restricted cash at end of period	$ 6,548	$ 8,843
Supplemental Disclosures		
Interest paid	$ 895	$ 395
Income taxes paid	$ 80	$ 402
Income taxes refunded	$ 15	$ 68
Leased assets obtained in exchange for new operating lease liabilities	$ 149	$ 289
Non-cash Investing and Financing Items		
Transfer from securities available for sale to securities held to maturity (a)	$ 88,605	
Transfer from loans to loans held for sale, net	$ 341	$ 677
Transfer from loans to foreclosed assets	$ 38	$ 22

(a) During the first nine months of 2022, we transferred securities from available for sale to held to maturity in non-cash transactions. The amount of $ 88.6 billion includes the aggregate fair value of the securities of $82.7 billion and aggregate net pretax unrealized losses of $ 5.9 billion included in AOCI at transfer. See Note 3 Investment Securities for more detailed information on the transfers.

See accompanying Notes To Consolidated Financial Statements.

See page 99 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 coast-to-coast. 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 of operations and balance sheets for all periods presented in this Report reflect the benefit of BBVA's acquired businesses for the period since the acquisition closed on June 1, 2021. See Note 2 Acquisition Activity for additional information related to 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 state 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 2021 Form 10-K. Reference is made to Note 1 Accounting Policies in our 2021 Form 10-K for a detailed description of significant accounting policies. These interim consolidated financial statements serve to update our 2021 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 2021 Form 10-K.

Noninterest Income Presentation

Effective for the first quarter of 2022, PNC updated the presentation of its noninterest income categorization to be based on product and service type, and accordingly, has changed the basis of presentation of its noninterest income revenue streams to: (i) Asset management and brokerage, (ii) Capital markets related, (iii) Card and cash management, (iv) Lending and deposit services, (v) Residential and commercial mortgage and (vi) Other noninterest income. A description of each revenue stream follows:

Asset management and brokerage includes revenue from our asset management and retail brokerage businesses. Asset management services include investment management, custody, retirement planning, family planning, trust management and retirement administration. Brokerage services offer retail customers a wide range of investment options, including mutual funds, annuities, stock, bonds and managed accounts.

Capital markets related includes revenue from services and activities primarily related to merger and acquisition advisory, equity capital markets advisory, asset-backed financing, loan syndication, securities underwriting, credit valuation adjustments related to the derivatives portfolio and customer-related trading.

Card and cash management includes revenue primarily from debit and credit card activities, inclusive of credit card points and rewards, treasury management services and ATM fees. Debit and credit card activities include interchange revenue and merchant service fees. Treasury management services include cash and investment management, receivables and disbursement management, funds transfer, international payment and access to online/mobile information management and reporting.

Lending and deposit services includes revenue primarily related to service charges on deposits, loan commitment and usage fees, the issuance of standby letters of credit, operating lease income and long-term care and insurance products.

Residential and commercial mortgage includes the gain and loss on sale of mortgages, revenue related to our mortgage servicing responsibilities, mortgage servicing rights valuation adjustments and net gains on originations and sales of loans held for sale.

Other noninterest income is primarily composed of private equity revenue, net securities gains and losses, activity related to our equity investment in Visa and gains and losses on asset sales.

See Note 16 Fee-based Revenue from Contracts with Customers for additional details related to these revenue streams within the scope of ASC 606 - Revenue from Contracts with Customers.

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
Reference Rate Reform - ASU 2020-04 Issued March 2020 **Reference Rate Reform Scope - ASU 2021-01** 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). • Includes optional expedients related to contract modifications that allow an entity to account for modifications (if certain criteria are met) as if the modifications were only minor (assets within the scope of ASC 310, *Receivables*), were not substantial (assets within the scope of ASC 470, *Debt*) and/or did not result in remeasurements or reclassifications (assets within the scope of ASC 842, *Leases*, and other Topics) of the existing contract. • Includes optional expedients related to hedging relationships within the scope of ASC 815, *Derivatives & Hedging*, whereby changes to the critical terms of a hedging relationship do not require dedesignation if certain criteria are met. In addition, potential sources of ineffectiveness as a result of reference rate reform may be disregarded when performing some effectiveness assessments. • Includes optional expedients and exceptions for contract modifications and hedge accounting that apply to derivative instruments impacted by the market-wide discounting transition. • Guidance in these ASUs are currently effective as of March 12, 2020 through December 31, 2022. We expect the FASB to extend the relief to December 31, 2024 in a future ASU.	• ASU 2020-04 was adopted March 12, 2020. ASU 2021-01 was retrospectively adopted October 1, 2020. • Refer to Note 1 Accounting Policies in the 2021 Form 10-K for more information on elections of optional expedients that occurred in 2020 and 2021. • We did not make any additional elections for the third quarter of 2022. We expect to continue to elect various optional expedients for contract modifications and hedge relationships affected by reference rate reform through the effective date of this guidance.

NOTE 2 ACQUISITION 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 were subject to adjustment for up to one year after the closing date of the acquisition as additional information became available. Valuations subject to adjustment included, but were not limited to, loans, certain deposits, certain other assets, customer relationships and the core deposit intangibles.

On October 12, 2021, PNC converted approximately 2.6 million customers, 9,000 employees and over 600 branches across seven states, merging BBVA USA into PNC Bank.

PNC incurred an insignificant amount of merger and integration costs for the three month ended September 30, 2022 and $46 million for the nine months ended September 30, 2022, in connection with the transaction. These costs are recorded as contra-revenue and expense on the Consolidated Income Statement. The integration expenses are primarily related to retail services and realty expenses. Cumulative costs through September 30, 2022 were $851 million.

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

Table 34: 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	463
Investment securities – available for sale	18,358
Net loans	61,423
Equity investments	723
Mortgage servicing rights	35
Core deposit intangibles and other intangible assets	378
Other	3,527
Total assets	$ 99,189
Liabilities	
Deposits	$ 85,562
Borrowed funds	2,449
Accrued expenses and other liabilities	1,275
Total liabilities	$ 89,286
Noncontrolling interests	22
Less: Net assets	$ 9,881
Goodwill	$ 1,599

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 reflected the increased market share and related synergies that resulted 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 and is not deductible for income tax purposes. See Note 6 Goodwill and Mortgage Servicing Rights in Item 8 of our 2021 Form 10-K for additional information on the allocation of goodwill to the segments.

For a description of the fair value and unpaid principal balance of loans from the BBVA acquisition, as well as the methods used to determine the fair values of significant assets and liabilities, see Note 2 Acquisition and Divestiture Activity in Item 8 of our 2021 Form 10-K.

NOTE 3 INVESTMENT SECURITIES

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

Table 35: Investment Securities Summary (a)

	September 30, 2022				December 31, 2021			
		Unrealized				Unrealized		
In millions	Amortized Cost (b)	Gains	Losses	Fair Value	Amortized Cost (b)	Gains	Losses	Fair Value
Securities Available for Sale								
U.S. Treasury and government agencies	$ 11,093	$ 9	$ (884)	$ 10,218	$ 46,210	$ 324	$ (370)	$ 46,164
Residential mortgage-backed								
Agency	31,993	4	(3,609)	28,388	67,326	695	(389)	67,632
Non-agency	725	151	(5)	871	927	231		1,158
Commercial mortgage-backed								
Agency	1,930	1	(176)	1,755	1,740	39	(6)	1,773
Non-agency	1,363	1	(61)	1,303	3,423	31	(18)	3,436
Asset-backed	106	27	(1)	132	6,380	60	(31)	6,409
Other	3,379	43	(291)	3,131	4,792	186	(14)	4,964
Total securities available for sale	$ 50,589	$ 236	$ (5,027)	$ 45,798	$ 130,798	$ 1,566	$ (828)	$ 131,536
Securities Held to Maturity								
U.S. Treasury and government agencies	$ 36,120	$ 1	$ (1,717)	$ 34,404	$ 814	$ 76		$ 890
Residential mortgage-backed								
Agency	42,152		(3,391)	38,761				
Non-agency	281		(23)	258				
Commercial mortgage-backed								
Agency	663		(27)	636				
Non-agency	1,746	2	(25)	1,723				
Asset-backed	6,565		(161)	6,404				
Other	3,126		(124)	3,002	612	27	$ (7)	632
Total securities held to maturity (c) (d)	$ 90,653	$ 3	$ (5,468)	$ 85,188	$ 1,426	$ 103	$ (7)	$ 1,522

(a) At September 30, 2022, the accrued interest associated with our held to maturity and available for sale portfolios totaled $211 million and $140 million, respectively. The comparable amounts at December 31, 2021 were $5 million and $322 million, respectively. These amounts are included in Other assets on the Consolidated Balance Sheet.
(b) Amortized cost is presented net of allowance of $133 million for securities available for sale and $ 7 million for securities held to maturity at September 30, 2022. The comparable amounts at December 31, 2021 were $ 130 million and $3 million, respectively.
(c) Credit ratings represent a primary credit quality indicator used to monitor and manage credit risk. 99% and 86% of our securities held to maturity were rated AAA/AA at September 30, 2022 and December 31, 2021, respectively.
(d) Held to maturity securities transferred from available for sale are included in held to maturity at fair value at the time of the transfer. The amortized cost of held to maturity securities included net unrealized losses of $5.4 billion, at September 30, 2022, related to securities transferred, which are offset in AOCI, net of tax.

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 Total 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 September 30, 2022 included $2.0 billion of net unsettled purchases which represent non-cash investing activity, and accordingly, are not reflected on the Consolidated Statement of Cash Flows. The comparable amount for September 30, 2021 was $2.4 billion.

In the third quarter of 2022, we transferred an additional $4.9 billion of securities, at fair value, from available for sale to held to maturity. The securities transferred included $3.3 billion of U.S. Treasury and government agency securities and $1.6 billion of agency residential mortgage-backed securities. During the first nine months of 2022, we transferred securities with a fair value of $82.7 billion from available for sale to held to maturity. The securities transferred included $34.0 billion of U.S. Treasury and government agency securities, $39.0 billion of agency residential mortgage-backed securities, $6.3 billion of asset-backed securities and $3.4 billion of other securities. The securities were reclassified at fair value at the time of the transfer and the transfers represented non-cash transactions. AOCI at September 30, 2022 included pretax unrealized losses of $5.4 billion related to the transfers. These unrealized losses will be amortized, consistent with the amortization of the discount on these securities, over the remaining life as an adjustment of yield, resulting in no impact to net interest income or net income.

We maintain the allowance for investment securities at levels that we believe to be appropriate as of the balance sheet date to absorb expected credit losses on our portfolio. At September 30, 2022, the allowance for investment securities was $140 million and primarily related to non-agency commercial mortgage-backed securities in the available for sale portfolio. The comparable amount at

December 31, 2021 was $133 million. See Note 1 Accounting Policies included in Item 8 of our 2021 Form 10-K for a discussion of the methodologies used to determine the allowance for investment securities.

At September 30, 2022, AOCI included pretax losses of $132 million from derivatives that hedged the purchase of investment securities classified as held to maturity. The losses will be accreted to interest income as an adjustment of yield on the securities.

Table 36 presents the gross unrealized losses and fair value of securities available for sale that do not have an associated allowance for investment securities at September 30, 2022 and December 31, 2021. 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 September 30, 2022, 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 36: Gross Unrealized Loss and Fair Value of Securities Available for Sale Without an Allowance for Credit Losses

	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
In millions	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
September 30, 2022						
U.S. Treasury and government agencies	$ (817)	$ 9,462	$ (67)	$ 404	$ (884)	$ 9,866
Residential mortgage-backed						
Agency	(2,874)	24,373	(735)	3,602	(3,609)	27,975
Non-agency	(3)	71	(1)	17	(4)	88
Commercial mortgage-backed						
Agency	(166)	1,588	(10)	144	(176)	1,732
Non-agency	(42)	945	(7)	236	(49)	1,181
Asset-backed	(1)	10			(1)	10
Other	(195)	2,266	(52)	314	(247)	2,580
Total securities available for sale	$ (4,098)	$ 38,715	$ (872)	$ 4,717	$ (4,970)	$ 43,432
December 31, 2021						
U.S. Treasury and government agencies	$ (370)	$ 32,600			$ (370)	$ 32,600
Agency residential mortgage-backed	(369)	41,521	$ (20)	$ 1,489	(389)	43,010
Commercial mortgage-backed						
Agency	(5)	451	(1)	60	(6)	511
Non-agency	(4)	1,453	(3)	474	(7)	1,927
Asset-backed	(29)	3,465	(2)	188	(31)	3,653
Other	(13)	1,405			(13)	1,405
Total securities available for sale	$ (790)	$ 80,895	$ (26)	$ 2,211	$ (816)	$ 83,106

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

Table 37: Gains (Losses) on Sales of Securities Available for Sale

Nine months ended September 30 In millions	Gross Gains	Gross Losses	Net Gains (Losses)	Tax Expense (Benefit)
2022	$ 11	$ (15)	$ (4)	$ (1)
2021	$ 275	$ (225)	$ 50	$ 11

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at September 30, 2022:

Table 38: Contractual Maturity of Debt Securities

September 30, 2022 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	$ 3,686	$ 3,265	$ 2,100	$ 2,042	$ 11,093
Residential mortgage-backed					
Agency	2	79	2,985	28,927	31,993
Non-agency			7	718	725
Commercial mortgage-backed					
Agency	59	454	1,095	322	1,930
Non-agency		6	388	969	1,363
Asset-backed			10	96	106
Other	134	2,228	859	158	3,379
Total securities available for sale at amortized cost	$ 3,881	$ 6,032	$ 7,444	$ 33,232	$ 50,589
Fair value	$ 3,861	$ 5,645	$ 6,681	$ 29,611	$ 45,798
Weighted-average yield, GAAP basis (a)	2.38 %	1.67 %	2.30 %	2.75 %	2.52 %
Securities Held to Maturity					
U.S. Treasury and government agencies	$ 1,212	$ 25,882	$ 8,515	$ 511	$ 36,120
Residential mortgage-backed					
Agency		9	264	41,879	42,152
Non-agency				281	281
Commercial mortgage-backed					
Agency			448	215	663
Non-agency		115	5	1,626	1,746
Asset-backed	99	1,908	1,765	2,793	6,565
Other	230	1,057	592	1,247	3,126
Total securities held to maturity at amortized cost	$ 1,541	$ 28,971	$ 11,589	$ 48,552	$ 90,653
Fair value	$ 1,527	$ 27,909	$ 10,879	$ 44,873	$ 85,188
Weighted-average yield, GAAP basis (a)	1.25 %	1.26 %	2.01 %	2.66 %	2.11 %

(a) Weighted-average yields are based on amortized cost with effective yields weighted for the contractual maturity of each security. Actual maturities and yields may differ as certain securities may be prepaid.

At September 30, 2022, 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 $38.3 billion and $30.7 billion and fair value of $34.6 billion and $27.9 billion, respectively.

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

Table 39: Fair Value of Securities Pledged and Accepted as Collateral

illions	September 30 2022	December 31 2021
dged to others	$ 19,408	27,349
cepted from others:		
ermitted by contract or custom to sell or repledge	$ 1,507	707
ermitted amount repledged to others	$ 1,507	707

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. See Note 13 Financial Derivatives for information related to securities pledged and accepted as collateral for derivatives.

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 2021 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 40 presents the composition and delinquency status of our loan portfolio at September 30, 2022 and December 31, 2021. We manage credit risk based on the risk profile of the borrower, repayment sources, underlying collateral and other support given current events, economic conditions and expectations. We refine our practices to meet the changing environment resulting from rising inflation levels, supply chain disruptions, higher rates, and secular changes fostered by the COVID-19 pandemic. To mitigate losses and enhance customer support, we have customer assistance, loan modification and collection programs that align with the CARES Act and subsequent interagency guidance. As a result, under the CARES Act credit reporting rules, certain loans modified due to COVID-19 related hardships are not being reported as past due as of September 30, 2022 and December 31, 2021 based on the contractual terms of the loan, even where borrowers may not be making payments on their loans during the modification period.

Table 40: Analysis of Loan Portfolio (a) (b)

Dollars in millions	Accruing: 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)
September 30, 2022								
Commercial								
Commercial and industrial	$ 172,550	$ 321	$ 55	$ 139	$ 515	$ 748		$ 173,813
Commercial real estate	35,424	11	4	5	20	148		35,592
Equipment lease financing	6,173	6	6		12	7		6,192
Total commercial	214,147	338	65	144	547	903		215,597
Consumer								
Residential real estate	43,467	298	95	196	589 (c)	429	$ 572	45,057
Home equity	24,693	46	16		62	530	82	25,367
Automobile	14,735	96	21	6	123	167		15,025
Credit card	6,636	44	30	58	132	6		6,774
Education	2,162	36	26	63	125 (c)			2,287
Other consumer	5,212	21	15	12	48	33		5,293
Total consumer	96,905	541	203	335	1,079	1,165	654	99,803
Total	$ 311,052	$ 879	$ 268	$ 479	$ 1,626	$ 2,068	$ 654	$ 315,400
Percentage of total loans	98.61 %	0.28 %	0.08 %	0.15 %	0.52 %	0.66 %	0.21 %	100.00 %
December 31, 2021								
Commercial								
Commercial and industrial	$ 151,698	$ 235	$ 72	$ 132	$ 439	$ 796		$ 152,933
Commercial real estate	33,580	46	24	1	71	364		34,015
Equipment lease financing	6,095	25	2		27	8		6,130
Total commercial	191,373	306	98	133	537	1,168		193,078
Consumer								
Residential real estate	37,706	379	119	328	826 (c)	517	$ 663	39,712
Home equity	23,305	53	18		71	596	89	24,061
Automobile	16,252	146	40	14	200	183		16,635
Credit card	6,475	49	33	62	144	7		6,626
Education	2,400	43	25	65	133 (c)			2,533
Other consumer	5,644	35	22	17	74	9		5,727
Total consumer	91,782	705	257	486	1,448	1,312	752	95,294
Total	$ 283,155	$ 1,011	$ 355	$ 619	$ 1,985	$ 2,480	$ 752	$ 288,372
Percentage of total loans	98.19 %	0.35 %	0.12 %	0.21 %	0.69 %	0.86 %	0.26 %	100.00 %

(a) Amounts in table represent loans held for investment and do not include any associated ALLL.
(b) The accrued interest associated with our loan portfolio totaled $ 1.0 billion and $0.7 billion at September 30, 2022 and December 31, 2021, 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 $ 0.3 billion and $0.1 billion at September 30, 2022. Comparable amounts at December 31, 2021 were $0.4 billion and $0.1 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 $ 0.7 billion at both September 30, 2022 and December 31, 2021.
(f) Collateral dependent loans totaled $1.3 billion and $1.7 billion at September 30, 2022 and December 31, 2021, respectively.

At September 30, 2022, we pledged $26.0 billion of commercial and other loans to the Federal Reserve Bank and $90.7 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, 2021 were $25.7 billion and $66.2 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 2021 Form 10-K for additional information on our nonperforming loan and lease policies.

The following table presents our nonperforming assets as of September 30, 2022 and December 31, 2021, respectively:

Table 41: Nonperforming Assets

Dollars in millions	September 30 2022	December 31 2021
Nonperforming loans		
Commercial	$ 903	$ 1,168
Consumer (a)	1,165	1,312
Total nonperforming loans (b)	2,068	2,480
OREO and foreclosed assets	33	26
Total nonperforming assets	$ 2,101	$ 2,506
Nonperforming loans to total loans	0.66 %	0.86 %
Nonperforming assets to total loans, OREO and foreclosed assets	0.67 %	0.87 %
Nonperforming assets to total assets	0.38 %	0.45 %

(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 $ 0.9 billion at September 30, 2022 and primarily include loans with a fair value of collateral that exceeds the amortized cost basis. The comparable amount at December 31, 2021 was $1.0 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 2021 Form 10-K and the Troubled Debt Restructurings section of this Note 4 for additional information on TDRs.

Total nonperforming loans in Table 41 include TDRs of $0.7 billion and $1.0 billion at September 30, 2022 and December 31, 2021, respectively. TDRs that are performing, including consumer credit card TDR loans, are excluded from nonperforming loans and totaled $0.7 billion and $0.6 billion at September 30, 2022 and December 31, 2021, respectively.

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 2021 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 42: Commercial Credit Quality Indicators (a)

	Term Loans by Origination Year								
September 30, 2022 In millions	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Commercial and industrial									
Pass Rated	$ 31,271	$ 14,475	$ 9,018	$ 7,607	$ 4,858	$ 14,602	$ 85,101	$ 69	$ 167,001
Criticized	802	439	360	429	334	643	3,777	28	6,812
Total commercial and industrial	32,073	14,914	9,378	8,036	5,192	15,245	88,878	97	173,813
Commercial real estate									
Pass Rated	6,789	4,114	3,684	5,975	3,198	7,957	266		31,983
Criticized	332	39	235	583	833	1,584	3		3,609
Total commercial real estate	7,121	4,153	3,919	6,558	4,031	9,541	269		35,592
Equipment lease financing									
Pass Rated	1,168	1,010	1,000	718	454	1,599			5,949
Criticized	45	59	61	42	21	15			243
Total equipment lease financing	1,213	1,069	1,061	760	475	1,614			6,192
Total commercial	$ 40,407	$ 20,136	$ 14,358	$ 15,354	$ 9,698	$ 26,400	$ 89,147	$ 97	$ 215,597

	Term Loans by Origination Year								
December 31, 2021 In millions	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Commercial and industrial									
Pass Rated	$ 27,104	$ 12,053	$ 10,731	$ 6,698	$ 6,355	$ 11,759	$ 71,230	$ 90	$ 146,020
Criticized	283	368	815	649	496	824	3,448	30	6,913
Total commercial and industrial	27,387	12,421	11,546	7,347	6,851	12,583	74,678	120	152,933
Commercial real estate									
Pass Rated	4,110	4,109	6,355	4,234	2,634	7,562	436		29,440
Criticized	294	298	999	820	566	1,552	46		4,575
Total commercial real estate	4,404	4,407	7,354	5,054	3,200	9,114	482		34,015
Equipment lease financing									
Pass Rated	1,212	1,190	942	682	507	1,410			5,943
Criticized	37	54	41	29	19	7			187
Total equipment lease financing	1,249	1,244	983	711	526	1,417			6,130
Total commercial	$ 33,040	$ 18,072	$ 19,883	$ 13,112	$ 10,577	$ 23,114	$ 75,160	$ 120	$ 193,078

(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 September 30, 2022 and December 31, 2021.

Consumer Loan Classes

See Note 4 Loans and Related Allowance for Credit Losses included in Item 8 of our 2021 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 and home equity loan classes:

Table 43: Credit Quality Indicators for Residential Real Estate and Home Equity Loan Classes

	Term Loans by Origination Year								
September 30, 2022 In millions	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Residential real estate									
Current estimated LTV ratios									
Greater than 100%		$ 46	$ 24	$ 6	$ 6	$ 40			$ 122
Greater than or equal to 80% to 100%	$ 979	529	173	67	19	95			1,862
Less than 80%	8,168	16,197	7,240	2,409	852	7,493			42,359
No LTV available		53	1			8			62
Government insured or guaranteed loans	3	9	50	35	24	531			652
Total residential real estate	$ 9,150	$ 16,834	$ 7,488	$ 2,517	$ 901	$ 8,167			$ 45,057
Updated FICO scores									
Greater than or equal to 780	$ 5,416	$ 12,138	$ 5,267	$ 1,644	$ 465	$ 4,113			$ 29,043
720 to 779	3,152	3,294	1,457	499	212	1,610			10,224
660 to 719	442	752	403	190	91	806			2,684
Less than 660	42	109	112	83	71	775			1,192
No FICO score available	95	532	199	66	38	332			1,262
Government insured or guaranteed loans	3	9	50	35	24	531			652
Total residential real estate	$ 9,150	$ 16,834	$ 7,488	$ 2,517	$ 901	$ 8,167			$ 45,057
Home equity									
Current estimated LTV ratios									
Greater than 100%		$ 2	$ 12	$ 7	$ 1	$ 14	$ 220	$ 95	$ 351
Greater than or equal to 80% to 100%		4	52	27	4	30	748	1,058	1,923
Less than 80%		179	2,143	1,004	300	3,021	7,861	8,585	23,093
Total home equity		$ 185	$ 2,207	$ 1,038	$ 305	$ 3,065	$ 8,829	$ 9,738	$ 25,367
Updated FICO scores									
Greater than or equal to 780		$ 109	$ 1,400	$ 577	$ 162	$ 1,895	$ 5,154	$ 5,123	$ 14,420
720 to 779		51	537	269	69	602	2,274	2,582	6,384
660 to 719		21	212	138	44	307	1,059	1,331	3,112
Less than 660		4	55	53	29	251	324	633	1,349
No FICO score available			3	1	1	10	18	69	102
Total home equity		$ 185	$ 2,207	$ 1,038	$ 305	$ 3,065	$ 8,829	$ 9,738	$ 25,367

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December 31, 2021 In millions	Term Loans by Origination Year 2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Residential real estate									
Current estimated LTV ratios									
Greater than 100%	$ 10	$ 52	$ 21	$ 12	$ 13	$ 77			$ 185
Greater than or equal to 80% to 100%	1,460	560	221	86	66	190			2,583
Less than 80%	15,213	7,822	2,834	1,004	1,570	7,385			35,828
No LTV available	275	6	1	1		22			305
Government insured or guaranteed loans	3	33	37	30	39	669			811
Total residential real estate	$ 16,961	$ 8,473	$ 3,114	$ 1,133	$ 1,688	$ 8,343			$ 39,712
Updated FICO scores									
Greater than or equal to 780	$ 11,110	$ 5,898	$ 1,996	$ 596	$ 1,029	$ 4,052			$ 24,681
720 to 779	4,921	1,735	643	247	345	1,619			9,510
660 to 719	717	463	255	136	133	796			2,500
Less than 660	83	103	96	75	94	848			1,299
No FICO score available	127	241	87	49	48	359			911
Government insured or guaranteed loans	3	33	37	30	39	669			811
Total residential real estate	$ 16,961	$ 8,473	$ 3,114	$ 1,133	$ 1,688	$ 8,343			$ 39,712
Home equity									
Current estimated LTV ratios									
Greater than 100%	$ 1	$ 16	$ 14	$ 3	$ 2	$ 25	$ 329	$ 90	$ 480
Greater than or equal to 80% to 100%	7	85	62	13	11	66	990	674	1,908
Less than 80%	204	2,487	1,189	370	549	3,200	7,868	5,806	21,673
Total home equity	$ 212	$ 2,588	$ 1,265	$ 386	$ 562	$ 3,291	$ 9,187	$ 6,570	$ 24,061
Updated FICO scores									
Greater than or equal to 780	$ 124	$ 1,619	$ 692	$ 201	$ 364	$ 2,035	$ 5,490	$ 3,320	$ 13,845
720 to 779	61	666	348	96	116	642	2,283	1,679	5,891
660 to 719	23	248	167	56	53	327	1,071	872	2,817
Less than 660	4	53	57	32	28	277	325	615	1,391
No FICO score available		2	1	1	1	10	18	84	117
Total home equity	$ 212	$ 2,588	$ 1,265	$ 386	$ 562	$ 3,291	$ 9,187	$ 6,570	$ 24,061

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

September 30, 2022 In millions	Term Loans by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Updated FICO Scores									
Automobile									
FICO score greater than or equal to 780	$ 1,984	$ 2,327	$ 1,041	$ 887	$ 301	$ 111			$ 6,651
720 to 779	1,277	1,503	649	635	277	100			4,441
660 to 719	622	728	388	470	229	79			2,516
Less than 660	117	289	242	404	266	99			1,417
Total automobile	$ 4,000	$ 4,847	$ 2,320	$ 2,396	$ 1,073	$ 389			$ 15,025
Credit card									
FICO score greater than or equal to 780							$ 1,835	$ 2	$ 1,837
720 to 779							1,945	7	1,952
660 to 719							1,876	15	1,891
Less than 660							952	32	984
No FICO score available or required (a)							107	3	110
Total credit card							$ 6,715	$ 59	$ 6,774
Education									
FICO score greater than or equal to 780	$ 18	$ 55	$ 51	$ 63	$ 52	$ 373			$ 612
720 to 779	20	28	25	31	25	151			280
660 to 719	12	8	8	10	9	64			111
Less than 660	2	1	1	2	2	22			30
No FICO score available or required (a)	16	8	9	6	2	1			42
Education loans using FICO credit metric	68	100	94	112	90	611			1,075
Other internal credit metrics						1,212			1,212
Total education	$ 68	$ 100	$ 94	$ 112	$ 90	$ 1,823			$ 2,287
Other consumer									
FICO score greater than or equal to 780	$ 176	$ 118	$ 68	$ 59	$ 20	$ 22	$ 51	$ 2	$ 516
720 to 779	240	149	84	80	28	16	93	2	692
660 to 719	182	122	83	83	37	11	96	3	617
Less than 660	15	49	42	48	26	7	45	2	234
Other consumer loans using FICO credit metric	613	438	277	270	111	56	285	9	2,059
Other internal credit metrics	78	44	39	59	8	31	2,950	25	3,234
Total other consumer	$ 691	$ 482	$ 316	$ 329	$ 119	$ 87	$ 3,235	$ 34	$ 5,293

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December 31, 2021 In millions	Term Loans by Origination Year 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	$ 3,247	$ 1,496	$ 1,380	$ 533	$ 226	$ 79			$ 6,961
720 to 779	2,119	983	1,030	499	195	62			4,888
660 to 719	969	609	772	413	155	44			2,962
Less than 660	277	315	583	429	162	58			1,824
Total automobile	$ 6,612	$ 3,403	$ 3,765	$ 1,874	$ 738	$ 243			$ 16,635
Credit card									
FICO score greater than or equal to 780							$ 1,815	$ 2	$ 1,817
720 to 779							1,836	9	1,845
660 to 719							1,856	19	1,875
Less than 660							943	29	972
No FICO score available or required (a)							114	3	117
Total credit card							$ 6,564	$ 62	$ 6,626
Education									
FICO score greater than or equal to 780	$ 37	$ 60	$ 77	$ 62	$ 48	$ 392			$ 676
720 to 779	20	29	37	30	21	160			297
660 to 719	7	9	11	11	7	73			118
Less than 660	1	1	2	2	2	25			33
No FICO score available or required (a)	11	10	7	2		1			31
Education loans using FICO credit metric	76	109	134	107	78	651			1,155
Other internal credit metrics						1,378			1,378
Total education	$ 76	$ 109	$ 134	$ 107	$ 78	$ 2,029			$ 2,533
Other consumer									
FICO score greater than or equal to 780	$ 199	$ 131	$ 123	$ 47	$ 12	$ 32	$ 95	$ 1	$ 640
720 to 779	250	172	167	68	15	19	125		816
660 to 719	190	145	165	82	16	11	122		731
Less than 660	50	62	85	54	10	6	50	1	318
Other consumer loans using FICO credit metric	689	510	540	251	53	68	392	2	2,505
Other internal credit metrics	87	31	35	23	22	48	2,955	21	3,222
Total other consumer	$ 776	$ 541	$ 575	$ 274	$ 75	$ 116	$ 3,347	$ 23	$ 5,727

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

Troubled Debt Restructurings

Table 45 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 nine months ended September 30, 2022 and September 30, 2021. 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 2021 Form 10-K for additional discussion of TDRs.

Table 45: Financial Impact and TDRs by Concession Type (a)

			Post-TDR Amortized Cost Basis (c)			
During the three months ended September 30, 2022 Dollars in millions	Number of Loans	Pre-TDR Amortized Cost Basis (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial	15	$ 96		$ 10	$ 67	$ 77
Consumer	2,232	40		29	6	35
Total TDRs	2,247	$ 136		$ 39	$ 73	$ 112
During the nine months ended September 30, 2022 Dollars in millions						
Commercial	42	$ 184	$ 9	$ 10	$ 135	$ 154
Consumer	8,152	126		95	18	113
Total TDRs	8,194	$ 310	$ 9	$ 105	$ 153	$ 267

			Post-TDR Amortized Cost Basis (c)			
During the three months ended September 30, 2021 Dollars in millions	Number of Loans	Pre-TDR Amortized Cost Basis (b)	Principal Forgiveness	Rate Reduction	Other	Total
Commercial	13	$ 123			$ 139	$ 139
Consumer	1,340	31		$ 21	7	28
Total TDRs	1,353	$ 154		$ 21	$ 146	$ 167
During the nine months ended September 30, 2021 Dollars in millions						
Commercial	43	$ 320			$ 315	$ 315
Consumer	4,822	86		$ 49	28	77
Total TDRs	4,865	$ 406		$ 49	$ 343	$ 392

(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 September 30, 2022 and September 30, 2021.

Table 46: Subsequently Defaulted TDRs

In millions	2022	2021
Three months ended September 30	$ 23	$ 6
Nine months ended September 30	$ 45	$ 25

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 2021 Form 10-K for a discussion of the methodologies used to determine this allowance. A rollforward of the ACL related to loans follows:

Table 47: Rollforward of Allowance for Credit Losses

	Three months ended September 30						Nine months ended September 30					
	2022			2021			2022			2021		
In millions	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total
Allowance for loan and lease losses												
Beginning balance	$ 2,937	$ 1,525	$ 4,462	$ 3,812	$ 1,918	$ 5,730	$ 3,185	$ 1,683	$ 4,868	$ 3,337	$ 2,024	$ 5,361
Acquisition PCD reserves				(54)	(5)	(59)				774	282	1,056
Charge-offs	(73)	(149)	(222)	(50)	(156)	(206)	(162)	(506)	(668)	(393)	(484)	(877)
Recoveries	25	78	103	29	96	125	78	251	329	81	263	344
Net (charge-offs)	(48)	(71)	(119)	(21)	(60)	(81)	(84)	(255)	(339)	(312)	(221)	(533)
Provision for (recapture of) credit losses	174	67	241	(129)	(100)	(229)	(34)	93	59	(193)	(332)	(525)
Other	(2)	(1)	(3)	(5)	(1)	(6)	(6) $	(1)	(7)	(3)	(1)	(4)
Ending balance	$ 3,061	$ 1,520	$ 4,581	$ 3,603	$ 1,752	$ 5,355	$ 3,061	$ 1,520	$ 4,581	$ 3,603	$ 1,752	$ 5,355
Allowance for unfunded lending related commitments (a)												
Beginning balance	$ 630	$ 51	$ 681	$ 533	$ 112	$ 645	$ 564	$ 98	$ 662	$ 485	$ 99	$ 584
Acquisition PCD reserves										43	3	46
Provision for (recapture of) credit losses	(22)	23	1	2	(1)	1	44	(24)	20	7	9	16
Ending balance	$ 608	$ 74	$ 682	$ 535	$ 111	$ 646	$ 608	$ 74	$ 682	$ 535	$ 111	$ 646
Allowance for credit losses at September 30 (b)	$ 3,669	$ 1,594	$ 5,263	$ 4,138	$ 1,863	$ 6,001	$ 3,669	$ 1,594	$ 5,263	$ 4,138	$ 1,863	$ 6,001

(a) See Note 9 Commitments for additional information about the underlying commitments related to this allowance.
(b) Represents the ALLL plus allowance for unfunded lending related commitments and excludes allowances for investment securities and other financial assets, which together totaled $162 million at both September 30, 2022 and 2021.

The ACL related to loans at September 30, 2022 totaled $5.3 billion, a decrease of $0.2 billion since December 31, 2021. The following summarizes the changes in factors that influenced the ACL decline during the nine months ended September 30, 2022.

- The reassessment of pandemic-related risks drove reduced reserves at September 30, 2022, partially offset by the heightened economic stress which impacted our macroeconomic scenarios and related weightings.
- Portfolio changes also drove reserve declines at September 30, 2022 reflecting improvements in credit quality and changes in portfolio composition, partially offset by the impact from loan growth primarily in the commercial and industrial portfolio.

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 2021 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 in the FNMA, FHLMC and GNMA securitizations, Non-agency securitizations and loan sale transactions 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 9 Commitments and Note 12 Fair Value for information on our servicing rights, including the carrying value of servicing assets.

The following table provides our loan sale and servicing activities:

Table 48: Loan Sale and Servicing Activities

In millions	Residential Mortgages	Commercial Mortgages (a)
Cash Flows - Three months ended September 30, 2022		
Sales of loans and related securitization activity (b)	$ 1,019	$ 863
Repurchases of previously transferred loans (c)	$ 49	
Servicing fees (d)	$ 99	$ 51
Servicing advances recovered/(funded), net	$ 11	$ 11
Cash flows on mortgage-backed securities held (e)	$ 797	$ 15
Cash Flows - Three months ended September 30, 2021		
Sales of loans and related securitization activity (b)	$ 2,475	$ 881
Repurchases of previously transferred loans (c)	$ 45	$ 103
Servicing fees (d)	$ 105	$ 43
Servicing advances recovered/(funded), net	$ (4)	$ 28
Cash flows on mortgage-backed securities held (e)	$ 2,041	$ 18
Cash Flows - Nine months ended September 30, 2022		
Sales of loans and related securitization activity (b)	$ 4,367	$ 2,702
Repurchases of previously transferred loans (c)	$ 154	$ 27
Servicing fees (d)	$ 283	$ 140
Servicing advances recovered/(funded), net	$ 44	$ 15
Cash flows on mortgage-backed securities held (e)	$ 3,122	$ 43
Cash Flows - Nine months ended September 30, 2021		
Sales of loans and related securitization activity (b)	$ 5,997	$ 2,604
Repurchases of previously transferred loans (c)	$ 189	$ 145
Servicing fees (d)	$ 270	$ 119
Servicing advances recovered/(funded), net	$ 8	$ (8)
Cash flows on mortgage-backed securities held (e)	$ 7,256	$ 66

(a) Represents 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 $ 19.1 billion, $ 17.6 billion and $15.9 billion in residential mortgage-backed securities and $ 0.7 billion, $ 0.6 billion and $ 0.6 billion in commercial mortgage-backed securities at September 30, 2022, December 31, 2021 and September 30, 2021.

Table 49 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 September 30, 2022.

Table 49: Principal Balance, Delinquent Loans and Net Charge-offs Related to Serviced Loans For Others

In millions	Residential Mortgages	Commercial Mortgages (a)
September 30, 2022		
Total principal balance	$ 41,413	$ 38,457
Delinquent loans (b)	$ 354	$ 1
December 31, 2021		
Total principal balance	$ 42,726	$ 39,551
Delinquent loans (b)	$ 569	$ 42
Three months ended September 30, 2022		
Net charge-offs (c)	$ 1	$ 9
Three months ended September 30, 2021		
Net charge-offs (c)	$ 1	$ 2
Nine months ended September 30, 2022		
Net charge-offs (c)	$ 3	$ 12
Nine months ended September 30, 2021		
Net charge-offs (c)	$ 4	$ 180

(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 the 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 included in Item 8 of our 2021 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 50 where we have determined that our continuing involvement is insignificant. 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 50. 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 50 : Non-Consolidated VIEs

In millions	PNC Risk of Loss (a)	Carrying Value of Assets Owned by PNC	Carrying Value of Liabilities Owned by PNC
September 30, 2022			
Mortgage-backed securitizations (b)	$ 20,233	$ 20,237 (c)	$ 1
Tax credit investments and other	4,186	4,019 (d)	1,961 (e)
Total	$ 24,419	$ 24,256	$ 1,962
December 31, 2021			
Mortgage-backed securitizations (b)	$ 18,708	$ 18,708 (c)	$ 1
Tax credit investments and other	3,865	3,893 (d)	1,798 (e)
Total	$ 22,573	$ 22,601	$ 1,799

(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 Community Reinvestment Act. Within Income taxes, during the nine months ended September 30, 2022, we recognized $0.3 billion of amortization, $0.3 billion of tax credits and $0.1 billion of other tax benefits associated with qualified investments in LIHTCs. During the nine months ended September 30, 2021, we recognized $0.1 billion or less of amortization, tax credits and other tax benefits associated with qualified investments in LIHTCs.

NOTE 6 GOODWILL AND MORTGAGE SERVICING RIGHTS

Goodwill

See Note 6 Goodwill and Mortgage Servicing Rights in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K for more information regarding our goodwill.

Mortgage Servicing Rights

We recognize the right to service mortgage loans for others as an intangible asset when the servicing income we receive is more than our projected servicing costs. MSRs are recognized either when purchased or when originated loans are sold with servicing retained. MSRs totaled $3.2 billion at September 30, 2022 and $1.8 billion at December 31, 2021, and consisted of loan servicing contracts for commercial and residential mortgages measured at fair value.

MSRs are subject to changes 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, derivative instruments and resale agreements 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 6 Goodwill and Mortgage Servicing Rights and Note 15 Fair Value in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 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 51: Mortgage Servicing Rights

	Commercial MSRs		Residential MSRs	
In millions	2022	2021	2022	2021
January 1	$ 740	$ 569	$ 1,078	$ 673
Additions:				
BBVA Acquisition				35
From loans sold with servicing retained	52	61	49	61
Purchases	32	26	620	400
Changes in fair value due to:				
Time and payoffs (a)	(130)	(87)	(178)	(242)
Other (b)	438	134	505	203
September 30	$ 1,132	$ 703	$ 2,074	$ 1,130
Related unpaid principal balance at September 30	$ 281,931	$ 263,862	$ 169,678	$ 139,154
Servicing advances at September 30	$ 448	$ 445	$ 132	$ 139

(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 September 30, 2022 and December 31, 2021 are shown in Tables 52 and 53. 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 52 and 53. 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 52: Commercial Mortgage Servicing Rights – Key Valuation Assumptions

Dollars in millions	September 30 2022	December 31 2021
Fair value	$ 1,132	$ 740
Weighted-average life (years)	4.1	4.2
Weighted-average constant prepayment rate	4.25 %	5.49 %
Decline in fair value from 10% adverse change	$ 8	$ 12
Decline in fair value from 20% adverse change	$ 16	$ 21
Effective discount rate	9.73 %	7.75 %
Decline in fair value from 10% adverse change	$ 35	$ 20
Decline in fair value from 20% adverse change	$ 69	$ 40

Table 53: Residential Mortgage Servicing Rights – Key Valuation Assumptions

Dollars in millions	September 30 2022	December 31 2021
Fair value	$ 2,074	$ 1,078
Weighted-average life (years)	7.9	5.7
Weighted-average constant prepayment rate	6.76 %	12.63 %
Decline in fair value from 10% adverse change	$ 49	$ 46
Decline in fair value from 20% adverse change	$ 95	$ 89
Weighted-average option adjusted spread	759 bps	857 bps
Decline in fair value from 10% adverse change	$ 60	$ 31
Decline in fair value from 20% adverse change	$ 117	$ 60

Fees from mortgage loan servicing, which include contractually specified servicing fees, late fees and ancillary fees were $0.1 billion and $0.2 billion for the three months ended September 30, 2022 and 2021, respectively, and $0.4 billion for both the nine months ended September 30, 2022 and 2021. 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 Residential and commercial mortgage.

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 2021 Form 10-K.

Table 54: Lessor Income

	Three months ended September 30		Nine months ended September 30	
In millions	2022	2021	2022	2021
Sales-type and direct financing leases (a)	$ 61	$ 61	$ 177	$ 184
Operating leases (b)	15	18	48	58
Lease income	$ 76	$ 79	$ 225	$ 242

(a) Included in Loans interest income on the Consolidated Income Statement.
(b) Included in Lending and deposit services on the Consolidated Income Statement.

Note 8 Borrowed Funds

The following table shows the carrying value of total borrowed funds of $54.6 billion at September 30, 2022 (including adjustments related to accounting hedges and unamortized original issuance discounts) by remaining contractual maturity:

Table 55: Borrowed Funds

In billions	
Less than 1 year	$ 5.9
1 to 2 years	$ 8.4
2 to 3 years	$ 20.5
3 to 4 years	$ 9.2
4 to 5 years	$ 0.7
Over 5 years	$ 9.9

The following table presents the contractual rates and maturity dates of our FHLB borrowings, senior debt and subordinated debt as of September 30, 2022, and the carrying values as of September 30, 2022 and December 31, 2021.

Table 56: FHLB Borrowings, Senior Debt and Subordinated Debt

	Stated Rate	Maturity	Carrying Value	
Dollars in millions	2022	2022	2022	2021
Parent Company				
Senior debt	1.15% - 3.50%	2022 - 2032	$ 8,296	$ 10,369
Subordinated debt	3.90% - 4.63%	2024 - 2033	1,520	777
Junior subordinated debt	3.65 %	2028	206	205
Subtotal			10,022	11,351
Bank				
Federal Home Loan Bank borrowings (a)	3.14% - 3.38%	2023 - 2026	30,075	
Senior debt	2.50% - 3.50%	2023 - 2043	5,061	10,292
Subordinated debt	2.70% - 5.90%	2022 - 2029	5,560	6,014
Subtotal			40,696	16,306
Total			$ 50,718	$ 27,657

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

In Table 56, the carrying values for Parent Company senior and subordinated debt include basis adjustments of $(810) million and $(75) million, respectively, whereas Bank senior and subordinated debt include basis adjustments of $(272) million and $(254) million, respectively, related to fair value accounting hedges as of September 30, 2022.

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

For further information regarding junior subordinated debentures refer to Note 10 Borrowed Funds in Item 8 of our 2021 Form 10-K.

Note 9 Commitments

In the normal course of business, we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. The following table presents our outstanding commitments to extend credit along with other commitments as of September 30, 2022 and December 31, 2021, respectively.

Table 57: Commitments to Extend Credit and Other Commitments

In millions	September 30 2022	December 31 2021
Commitments to extend credit		
Commercial	$ 190,761	$ 176,248
Home equity	21,674	19,410
Credit card	33,142	32,499
Other	7,884	9,081
Total commitments to extend credit	253,461	237,238
Net outstanding standby letters of credit (a)	9,987	9,303
Standby bond purchase agreements (b)	1,317	1,268
Other commitments (c)	3,533	3,045
Total commitments to extend credit and other commitments	$ 268,298	$ 250,854

(a) Net outstanding standby letters of credit include $ 3.8 billion and $3.3 billion at September 30, 2022 and December 31, 2021, respectively, which support remarketing programs.
(b) We enter into standby bond purchase agreements to support municipal bond obligations.
(c) Includes $2.0 billion related to investments in qualified affordable housing projects for both September 30, 2022 and December 31, 2021.

Commitments to Extend Credit

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

Net Outstanding Standby Letters of Credit

We issue standby letters of credit and share in the risk of standby letters of credit issued by other financial institutions, in each case to support obligations of our customers to third parties, such as insurance requirements and the facilitation of transactions involving capital markets product execution. Approximately 98% of our net outstanding standby letters of credit were rated as Pass as of September 30, 2022, 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 September 30, 2022 had terms ranging from less than one year to seven years.

As of September 30, 2022, assets of $1.3 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 September 30, 2022 and is included in Other liabilities on our Consolidated Balance Sheet.

Note 10 Total Equity And Other Comprehensive Income

Activity in total equity for the three and nine months ended September 30, 2022 and 2021 is as follows:

Table 58: 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 June 30, 2021 (a)	425	$ 2,713	$ 3,519	$ 12,409	$ 48,663	$ 1,463	$ (14,140)	$ 58	$ 54,685
Net income					1,474			16	1,490
Other comprehensive income (loss), net of tax						(384)			(384)
Cash dividends declared - Common					(538)				(538)
Cash dividends declared - Preferred					(57)				(57)
Preferred stock discount accretion			1		(1)				
Preferred stock issuance (b)			1,489						1,489
Treasury stock activity	(2)			5			(387)		(382)
Other				30				(36)	(6)
Balance at September 30, 2021 (a)	423	$ 2,713	$ 5,009	$ 12,444	$ 49,541	$ 1,079	$ (14,527)	$ 38	$ 56,297
Balance at June 30, 2022 (a)	411	$ 2,714	$ 6,004	$ 12,527	$ 51,841	$ (8,358)	$ (17,076)	$ 36	$ 47,688
Net income					1,624			16	1,640
Other comprehensive income (loss), net of tax						(2,128)			(2,128)
Cash dividends declared - Common					(622)				(622)
Cash dividends declared - Preferred					(65)				(65)
Preferred stock discount accretion			1		(1)				
Preferred stock issuance (c)			1,239						1,239
Treasury stock activity	(7)			6			(1,051)		(1,045)
Other				33				(17)	16
Balance at September 30, 2022 (a)	404	$ 2,714	$ 7,244	$ 12,566	$ 52,777	$ (10,486)	$ (18,127)	$ 35	$ 46,723
Nine months ended									
Balance at December 31, 2020 (a)	424	$ 2,713	$ 3,517	$ 12,367	$ 46,848	$ 2,770	$ (14,205)	$ 31	$ 54,041
Net income					4,381			38	4,419
Other comprehensive income (loss), net of tax						(1,691)			(1,691)
Cash dividends declared - Common					(1,523)				(1,523)
Cash dividends declared - Preferred					(162)				(162)
Preferred stock discount accretion			3		(3)				
Preferred stock issuance (b)			1,489						1,489
Common stock activity				12					12
Treasury stock activity	(1)			78			(322)		(244)
Other				(13)				(31)	(44)
Balance at September 30, 2021 (a)	423	$ 2,713	$ 5,009	$ 12,444	$ 49,541	$ 1,079	$ (14,527)	$ 38	$ 56,297
Balance at December 31, 2021 (a)	420	$ 2,713	$ 5,009	$ 12,448	$ 50,228	$ 409	$ (15,112)	$ 31	$ 55,726
Net income					4,513			52	4,565
Other comprehensive income (loss), net of tax						(10,895)			(10,895)
Cash dividends declared - Common					(1,779)				(1,779)
Cash dividends declared - Preferred					(181)				(181)
Preferred stock discount accretion			4		(4)				
Preferred stock issuance (c) (d)			2,231						2,231
Common stock activity		1		14					15
Treasury stock activity	(16)			56			(3,015)		(2,959)
Other				48				(48)	
Balance at September 30, 2022 (a)	404	$ 2,714	$ 7,244	$ 12,566	$ 52,777	$ (10,486)	$ (18,127)	$ 35	$ 46,723

(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) On September 13, 2021, PNC issued 1,500,000 depositary shares each representing 1/100th ownership in a share of 3.400% fixed-rate reset non-cumulative perpetual preferred stock, Series T, with a par value of $ 1 per share.
(c) On August 19, 2022, PNC issued 1,250,000 depositary shares each representing 1/100th ownership in a share of 6.200% fixed-rate reset non-cumulative perpetual preferred stock, Series V, with a par value of $ 1 per share.
(d) On April 26, 2022, PNC issued 1,000,000 depositary shares each representing 1/100th ownership in a share of 6.000% fixed-rate reset non-cumulative perpetual preferred stock, Series U, with a par value of $ 1 per share.
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Details of other comprehensive income (loss) are as follows:

Table 59: Other Comprehensive Income (Loss)

	Three months ended September 30						Nine months ended September 30					
	2022			2021			2022			2021		
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	$ (1,998)	$ 471	$ (1,527)	$ (320)	$ 76	$ (244)	$ (11,245)	$ 2,650	$ (8,595)	$ (1,446)	$ 341	$ (1,105)
Less: Net realized gains (losses) reclassified to earnings (a)	(260)	61	(199)	3	(1)	2	(477)	112	(365)	25	(6)	19
Net change	(1,738)	410	(1,328)	(323)	77	(246)	(10,768)	2,538	(8,230)	(1,471)	347	(1,124)
Cash flow hedge derivatives												
Net unrealized gains (losses) on cash flow hedge derivatives	(1,154)	272	(882)	(59)	14	(45)	(3,486)	821	(2,665)	(369)	87	(282)
Less: Net realized gains (losses) reclassified to earnings (a)	(129)	30	(99)	115	(27)	88	(2)		(2)	358	(84)	274
Net change	(1,025)	242	(783)	(174)	41	(133)	(3,484)	821	(2,663)	(727)	171	(556)
Pension and other postretirement benefit plan adjustments												
Net pension and other postretirement benefit plan activity and other reclassified to earnings (b)	2	(1)	1	2		2	64	(16)	48	(11)	3	(8)
Net change	2	(1)	1	2		2	64	(16)	48	(11)	3	(8)
Other												
Net unrealized gains (losses) on other transactions	4	(22)	(18)	1	(8)	(7)	(3)	(47)	(50)	2	(5)	(3)
Net change	4	(22)	(18)	1	(8)	(7)	(3)	(47)	(50)	2	(5)	(3)
Total other comprehensive income (loss)	$ (2,757)	$ 629	$ (2,128)	$ (494)	$ 110	$ (384)	$ (14,191)	$ 3,296	$ (10,895)	$ (2,207)	$ 516	$ (1,691)

(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 60: Accumulated Other Comprehensive Income (Loss) Components

In millions, after-tax	Debt securities	Cash flow hedge derivatives	Pension and other postretirement benefit plan adjustments	Other	Total
Three months ended					
Balance at June 30, 2021	$ 1,584	$ 236	$ (355)	$ (2)	$ 1,463
Net activity	(246)	(133)	2	(7)	(384)
Balance at September 30, 2021	$ 1,338	$ 103	$ (353)	$ (9)	$ 1,079
Balance at June 30, 2022	$ (6,313)	$ (2,081)	$ 74	$ (38)	$ (8,358)
Net activity	(1,328)	(783)	1	(18)	(2,128)
Balance at September 30, 2022 (a)	$ (7,641)	$ (2,864)	$ 75	$ (56)	$ (10,486)
Nine months ended					
Balance at December 31, 2020	$ 2,462	$ 659	$ (345)	$ (6)	$ 2,770
Net activity	(1,124)	(556)	(8)	(3)	(1,691)
Balance at September 30, 2021	$ 1,338	$ 103	$ (353)	$ (9)	$ 1,079
Balance at December 31, 2021	$ 589	$ (201)	$ 27	$ (6)	$ 409
Net activity	(8,230)	(2,663)	48	(50)	(10,895)
Balance at September 30, 2022 (a)	$ (7,641)	$ (2,864)	$ 75	$ (56)	$ (10,486)

(a) At September 30, 2022, AOCI included pretax losses of $ 132 million from derivatives that hedged the purchase of investment securities classified as held to maturity.

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

Table 61: Dividends Per Share (a)

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Common Stock	$ 1.50	$ 1.25	$ 4.25	$ 3.55
Preferred Stock				
Series B	$ 0.45	$ 0.45	$ 1.35	$ 1.35
Series O	$ 1,269	$ 3,375	$ 3,230	$ 6,750
Series P	$ 1,368	$ 1,531	$ 4,431	$ 4,594
Series R			$ 2,425	$ 2,425
Series S			$ 2,500	$ 2,500
Series T	$ 850		$ 2,550	
Series U	$ 1,817		$ 1,817	

(a) Dividends are payable quarterly other than Series R and Series S preferred stock, which are payable semiannually. On August 19, 2022, PNC issued 1,250,000 depositary shares each representing 1/100th ownership in a share of 6.200% fixed-rate reset non-cumulative perpetual preferred stock, Series V, with a par value of $ 1 per share. Beginning on December 15, 2022, dividends will be paid on the Series V on a quarterly basis (March 15, June 15, September 15, and December 15 of each year).

On October 3, 2022, the PNC Board of Directors declared a quarterly cash dividend on common stock of $1.50 per share payable on November 5, 2022.

Note 11 Earnings Per Share

Table 62: Basic and Diluted Earnings Per Common Share

	Three months ended September 30		Nine months ended September 30	
In millions, except per share data	2022	2021	2022	2021
Basic				
Net income	$ 1,640	$ 1,490	$ 4,565	$ 4,419
Less:				
Net income attributable to noncontrolling interests	16	16	52	38
Preferred stock dividends	65	57	181	162
Preferred stock discount accretion and redemptions	1	1	4	3
Net income attributable to common shareholders	1,558	1,416	4,328	4,216
Less: Dividends and undistributed earnings allocated to nonvested restricted shares	8	8	21	21
Net income attributable to basic common shareholders	$ 1,550	$ 1,408	$ 4,307	$ 4,195
Basic weighted-average common shares outstanding	410	426	414	426
Basic earnings per common share (a)	$ 3.78	$ 3.31	$ 10.39	$ 9.84
Diluted				
Net income attributable to diluted common shareholders	$ 1,550	$ 1,408	$ 4,307	$ 4,195
Basic weighted-average common shares outstanding	410	426	414	426
Dilutive potential common shares			1	1
Diluted weighted-average common shares outstanding	410	426	415	427
Diluted earnings per common share (a)	$ 3.78	$ 3.30	$ 10.39	$ 9.83

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

NOTE 12 FAIR VALUE

Fair Value Measurement

We measure certain financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability on the measurement date, and is determined using an exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair value hierarchy established by GAAP requires us to maximize the use of observable inputs when measuring fair value. For more information regarding the fair value hierarchy, see Note 15 Fair Value in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 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 the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

For more information on the valuation methodologies used to measure assets and liabilities at fair value on a recurring basis, see Note 15 Fair Value in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 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 63: Fair Value Measurements – Recurring Basis Summary

	September 30, 2022				December 31, 2021			
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		$ 719	$ 116	$ 835		$ 1,221	$ 81	$ 1,302
Commercial mortgage loans held for sale		200	35	235		526	49	575
Securities available for sale								
U.S. Treasury and government agencies	$ 9,938	280		10,218	$ 41,873	4,291		46,164
Residential mortgage-backed								
Agency		28,388		28,388		67,632		67,632
Non-agency			871	871		61	1,097	1,158
Commercial mortgage-backed								
Agency		1,755		1,755		1,773		1,773
Non-agency		1,300	3	1,303		3,433	3	3,436
Asset-backed		5	127	132		6,246	163	6,409
Other		3,062	69	3,131		4,895	69	4,964
Total securities available for sale	9,938	34,790	1,070	45,798	41,873	88,331	1,332	131,536
Loans		503	775	1,278		617	884	1,501
Equity investments (a)	1,074		1,795	3,050	1,373		1,680	3,231
Residential mortgage servicing rights			2,074	2,074			1,078	1,078
Commercial mortgage servicing rights			1,132	1,132			740	740
Trading securities (b)	934	1,673		2,607	250	1,601		1,851
Financial derivatives (b) (c)	3	5,857	8	5,868	5	5,109	38	5,152
Other assets	337	101		438	404	114		518
Total assets (d)	$ 12,286	$ 43,843	$ 7,005	$ 63,315	$ 43,905	$ 97,519	$ 5,882	$ 147,484
Liabilities								
Other borrowed funds	$ 1,408	$ 203	$ 2	$ 1,613	$ 725	$ 45	$ 3	$ 773
Financial derivatives (c) (e)	3	9,614	120	9,737		3,285	285	3,570
Other liabilities			269	269			175	175
Total liabilities (f)	$ 1,411	$ 9,817	$ 391	$ 11,619	$ 725	$ 3,330	$ 463	$ 4,518

(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 September 30, 2022 and December 31, 2021 are presented gross and are not reduced by the impact of legally enforceable master netting agreements that allow us to net positive and negative positions and cash collateral held or placed with the same counterparty. See Note 13 Financial Derivatives for additional information related to derivative offsetting.
(d) Total assets at fair value as a percentage of total consolidated assets was 11% and 26% as of September 30, 2022 and December 31, 2021, respectively. Level 3 assets as a percentage of total assets at fair value was 11% and 4% at September 30, 2022 and December 31, 2021, respectively. Level 3 assets as a percentage of total consolidated assets was 1% at both September 30, 2022 and December 31, 2021.
(e) Included in Other liabilities on the Consolidated Balance Sheet.
(f) Total liabilities at fair value as a percentage of total consolidated liabilities was 2% and 1% at September 30, 2022 and December 31, 2021, respectively. Level 3 liabilities as a percentage of total liabilities at fair value was 3% and 10% at September 30, 2022 and December 31, 2021, respectively. Level 3 liabilities as a percentage of total consolidated liabilities was less than 1% at both September 30, 2022 and December 31, 2021.

Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the three and nine months ended September 30, 2022 and 2021 follow:

Table 64: Reconciliation of Level 3 Assets and Liabilities

Three Months Ended September 30, 2022

		Total realized / unrealized gains or losses for the period (a)									
Level 3 Instruments Only In millions	Fair Value June 30, 2022	Included in Earnings	Included in Other comprehensive income (b)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value Sept. 30, 2022	Unrealized gains / losses for the period on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2022 (a) (c)
Assets											
Residential mortgage loans held for sale	$ 83	$ (4)		$ 46	$ (1)		$ (2)	$ 8	$ (14) (d)	$ 116	$ (4)
Commercial mortgage loans held for sale	38						(3)			35	
Securities available for sale											
Residential mortgage-backed non-agency	925	4	$ (18)				(40)			871	
Commercial mortgage-backed non-agency	3									3	
Asset-backed	138		(5)				(6)			127	
Other	67		2							69	
Total securities available for sale	1,133	4	(21)				(46)			1,070	
Loans	804	(1)		11	(2)		(35)		(2) (d)	775	
Equity investments	1,867	167		69	(308)					1,795	65
Residential mortgage servicing rights	1,620	135		363		$ 11	(55)			2,074	135
Commercial mortgage servicing rights	988	176		7		17	(56)			1,132	176
Financial derivatives	13	4		1			(10)			8	7
Total assets	$ 6,546	$ 481	$ (21)	$ 497	$ (311)	$ 28	$ (207)	$ 8	$ (16)	$ 7,005	$ 379
Liabilities											
Other borrowed funds	$ 3						$ (1)			$ 2	
Financial derivatives	213	$ (11)			$ 4		(86)			120	$ (7)
Other liabilities	182	26		$ 32		$ 362	(333)			269	24
Total liabilities	$ 398	$ 15		$ 32	$ 4	$ 362	$ (420)			$ 391	$ 17
Net gains (losses)		$ 466 (e)									$ 362 (f)

(Continued from previous page)

Three Months Ended September 30, 2021

Level 3 Instruments Only In millions	Fair Value June 30, 2021	Total realized / unrealized gains or losses for the period (a) Included in Earnings	 Included in Other comprehensive income (b)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Impact from BBVA Acquisition	Fair Value Sept. 30, 2021	Unrealized gains/losses for the period on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2021 (a) (c)
Assets												
Residential mortgage loans held for sale	$ 119	$ (1)		$ 5	$ (29)		$ (6)	$ 4	$ (6) (d)		$ 86	$ (1)
Commercial mortgage loans held for sale	52	(1)									51	
Other consumer loans held for sale	239				(256)					$ 17		
Securities available for sale												
Residential mortgage-backed non-agency	1,237	10	$ (2)				(77)				1,168	
Commercial mortgage-backed non-agency	11		(8)								3	
Asset-backed	175	1	5				(9)				172	
Other	73			2	(9)		3				69	
Total securities available for sale	1,496	11	(5)	2	(9)		(83)				1,412	
Loans	979	12		14	(6)		(58)		(5) (d)		936	12
Equity investments	1,540	265		158	(433)						1,530	95
Residential mortgage servicing rights	1,111	49		28		$ 24	(82)				1,130	49
Commercial mortgage servicing rights	682	24		5		22	(30)				703	24
Financial derivatives	87	23		1			(55)				56	39
Total assets	$ 6,305	$ 382	$ (5)	$ 213	$ (733)	$ 46	$ (314)	$ 4	$ (11)	$ 17	$ 5,904	$ 218
Liabilities												
Other borrowed funds	$ 2					$ 3	$ (1)				$ 4	
Financial derivatives	200	$ 165			$ 3		(37)				331	$ 171
Other liabilities	124	45				4	(6)				167	44
Total liabilities	$ 326	$ 210			$ 3	$ 7	$ (44)				$ 502	$ 215
Net gains (losses)		$ 172 (e)										$ 3 (f)

(Continued from previous page)

Nine Months Ended September 30, 2022

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2021	Total realized / unrealized gains or losses for the period (a)		Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Fair Value Sept. 30, 2022	Unrealized gains / losses for the period on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2022 (a) (c)
		Included in Earnings	Included in Other comprehensive income (b)								
Assets											
Residential mortgage loans held for sale	$ 81	$ (6)		$ 91	$ (33)		$ (11)	$ 22	$ (28) (d)	$ 116	$ (6)
Commercial mortgage loans held for sale	49	(4)					(10)			35	(4)
Securities available for sale											
Residential mortgage-backed non-agency	1,097	19	$ (84)				(161)			871	
Commercial mortgage-backed non-agency	3									3	
Asset-backed	163	1	(18)				(19)			127	
Other	69			3			(3)			69	
Total securities available for sale	1,332	20	(102)	3			(183)			1,070	
Loans	884	20		31	(10)		(132)		(18) (d)	775	20
Equity investments	1,680	312		185	(382)					1,795	211
Residential mortgage servicing rights	1,078	505		620		$ 49	(178)			2,074	506
Commercial mortgage servicing rights	740	438		32		52	(130)			1,132	438
Financial derivatives	38	(2)		4			(32)			8	18
Total assets	$ 5,882	$ 1,283	$ (102)	$ 966	$ (425)	$ 101	$ (676)	$ 22	$ (46)	$ 7,005	$ 1,183
Liabilities											
Other borrowed funds	$ 3					$ 4	$ (5)			$ 2	
Financial derivatives	285	$ 12			$ 10		(187)			120	$ 22
Other liabilities	175	47		$ 32		604	(589)			269	39
Total liabilities	$ 463	$ 59		$ 32	$ 10	$ 608	$ (781)			$ 391	$ 61
Net gains (losses)		$ 1,224 (e)									$ 1,122 (f)

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Nine Months Ended September 30, 2021

Level 3 Instruments Only In millions	Fair Value Dec. 31, 2020	Total realized / unrealized gains or losses for the period (a) Included in Earnings	Included in Other comprehensive income (b)	Purchases	Sales	Issuances	Settlements	Transfers into Level 3	Transfers out of Level 3	Impact from BBVA Acquisition	Fair Value Sept. 30, 2021	Unrealized gains / losses for the period on assets and liabilities held on Consolidated Balance Sheet at Sept. 30, 2021 (a) (c)
Assets												
Residential mortgage loans held for sale	$ 163	$ (1)		$ 43	$ (81)		$ (34)	$ 12	$ (16) (d)		$ 86	$ (1)
Commercial mortgage loans held for sale	57	(1)			(6)		1				51	1
Other consumer loans held for sale					(256)					$ 256		
Securities available for sale												
Residential mortgage-backed non-agency	1,365	30	$ 14				(241)				1,168	
Commercial mortgage-backed non-agency	11		(8)								3	
Asset-backed	199	2	10				(39)				172	
Other	72		1	5	(9)						69	
Total securities available for sale	1,647	32	17	5	(9)		(280)				1,412	
Loans	647	32		111	(12)		(121)		(13) (d)	292	936	32
Equity investments	1,263	489		290	(512)						1,530	294
Residential mortgage servicing rights	673	203		400		$ 61	(242)			35	1,130	203
Commercial mortgage servicing rights	569	134		26		61	(87)				703	134
Financial derivatives	118	69		4			(140)			5	56	87
Total assets	$ 5,137	$ 957	$ 17	$ 879	$ (876)	$ 122	$ (903)	$ 12	$ (29)	$ 588	$ 5,904	$ 750
Liabilities												
Other borrowed funds	$ 2					$ 4	$ (2)				$ 4	
Financial derivatives	273	$ 155			$ 6		(110)			$ 7	331	$ 156
Other liabilities	43	108				321	(305)				167	81
Total liabilities	$ 318	$ 263			$ 6	$ 325	$ (417)			$ 7	$ 502	$ 237
Net gains (losses)		$ 694 (e)										$ 513 (f)

(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 insignificant.
(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) 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.
(e) 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.
(f) 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 65: Fair Value Measurements – Recurring Quantitative Information

September 30, 2022

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average) (a)
Commercial mortgage loans held for sale	$ 35	Discounted cash flow	Spread over the benchmark curve (b)	580bps - 3,665bps (1,004bps)
Residential mortgage-backed non-agency securities	871	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 27.9% (10.1%)
			Constant default rate	0.0% - 13.0% (4.1%)
			Loss severity	15.0% - 80.0% (46.1%)
			Spread over the benchmark curve (b)	233bps weighted-average
Asset-backed securities	127	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 40.0% (9.0%)
			Constant default rate	0.0% - 7.3% (2.2%)
			Loss severity	15.0% - 100.0% (48.5%)
			Spread over the benchmark curve (b)	314bps weighted-average
Loans - Residential real estate	576	Consensus pricing (c)	Cumulative default rate	3.6% - 100.0% (68.2%)
			Loss severity	0.0% - 100.0% (6.0%)
			Discount rate	5.5% - 7.5% (5.9%)
Loans - Residential real estate	70	Discounted cash flow	Loss severity	6.0% weighted-average
			Discount rate	7.2% weighted-average
Loans - Home equity	25	Consensus pricing (c)	Cumulative default rate	3.6% -100.0% (74.3%)
			Loss severity	0.0% - 100.0% (18.2%)
			Discount rate	5.5% - 7.5% (6.6%)
Loans - Home equity	104	Consensus pricing (c)	Credit and liquidity discount	0.4% - 100.0% (45.7%)
Equity investments	1,795	Multiple of adjusted earnings	Multiple of earnings	5.0x - 86.6x (9.8x)
Residential mortgage servicing rights	2,074	Discounted cash flow	Constant prepayment rate	0.0% - 35.6% (6.8%)
			Spread over the benchmark curve (b)	254bps - 1,656bps (759bps)
Commercial mortgage servicing rights	1,132	Discounted cash flow	Constant prepayment rate	3.9% - 10.0% (4.2%)
			Discount rate	7.7% - 10.1% (9.7%)
Financial derivatives - Swaps related to sales of certain Visa Class B common shares	(100)	Discounted cash flow	Estimated conversion factor of Visa Class B shares into Class A shares	160.6% weighted-average
			Estimated annual growth rate of Visa Class A share price	16.0%
			Estimated length of litigation resolution date	Q2 2023
Insignificant Level 3 assets, net of liabilities (d)	(95)			
Total Level 3 assets, net of liabilities (e)	$ 6,614			

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December 31, 2021

Level 3 Instruments Only Dollars in millions	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted-Average) (a)
Commercial mortgage loans held for sale	$ 49	Discounted cash flow	Spread over the benchmark curve (b)	555bps - 15,990bps (9,996bps)
Residential mortgage-backed non-agency securities	1,097	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% - 30.7% (11.3%)
			Constant default rate	0.0% - 16.9% (4.6%)
			Loss severity	20.0% - 96.4% (47.6%)
			Spread over the benchmark curve (b)	163bps weighted-average
Asset-backed securities	163	Priced by a third-party vendor using a discounted cash flow pricing model	Constant prepayment rate	1.0% -40.0% (11.1%)
			Constant default rate	1.4% - 20.0% (3.2%)
			Loss severity	8.0% - 100.0% (57.4%)
			Spread over the benchmark curve (b)	182bps weighted-average
Loans - Residential real estate	622	Consensus pricing (c)	Cumulative default rate	3.6% - 100.0% (74.2%)
			Loss severity	0.0% - 100.0% (6.9%)
			Discount rate	4.8% - 6.8% (5.2%)
Loans - Residential real estate	109	Discounted cash flow	Loss severity	6.0% weighted-average
			Discount rate	3.5% weighted-average
Loans - Home equity	28	Consensus pricing (c)	Cumulative default rate	3.6% - 100.0% (75.8%)
			Loss severity	0.0% - 98.4% (17.7%)
			Discount rate	4.8% - 6.8% (6.0%)
Loans - Home equity	125	Consensus pricing (c)	Credit and Liquidity discount	0.5% - 100.0% (47.3%)
Equity investments	1,680	Multiple of adjusted earnings	Multiple of earnings	5.0x - 14.4x (8.8x)
Residential mortgage servicing rights	1,078	Discounted cash flow	Constant prepayment rate	0.0% - 41.0% (12.6%)
			Spread over the benchmark curve (b)	249bps - 2,218bps (857bps)
Commercial mortgage servicing rights	740	Discounted cash flow	Constant prepayment rate	5.0% - 15.5% (5.5%)
			Discount rate	5.4% - 8.0% (7.8%)
Financial derivatives - Swaps related to sales of certain Visa Class B common shares	(277)	Discounted cash flow	Estimated conversion factor of Visa Class B shares into Class A shares	161.8% weighted-average
			Estimated annual growth rate of Visa Class A share price	16.0%
			Estimated length of litigation resolution date	Q2 2023
Insignificant Level 3 assets, net of liabilities (d)	5			
Total Level 3 assets, net of liabilities (e)	$ 5,419			

(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 $7.0 billion and total Level 3 liabilities of $0.4 billion as of September 30, 2022 and $5.9 billion and $0.5 billion as of December 31, 2021, 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 66. 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 the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

Assets measured at fair value on a nonrecurring basis follow:

Table 66: Fair Value Measurements – Nonrecurring (a) (b) (c)

In millions	Fair Value September 30 2022	Fair Value December 31 2021	Gains (Losses) Three months ended September 30 2022	Gains (Losses) Three months ended September 30 2021	Gains (Losses) Nine months ended September 30 2022	Gains (Losses) Nine months ended September 30 2021
Assets						
Nonaccrual loans	$ 211	$ 348	$ (111)	$ (3)	$ (145)	$ (3)
Equity investments	30					
Loans held for sale				(1)		(18)
OREO and foreclosed assets	9	6				
Long-lived assets	3	103	(1)	(6)	(5)	(17)
Total assets	$ 253	$ 457	$ (112)	$ (10)	$ (150)	$ (38)

(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.

<u>Financial Instruments Accounted for under Fair Value Option</u>

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 the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

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

Table 67: Fair Value Option – Fair Value and Principal Balances

In millions	September 30, 2022 Fair Value	September 30, 2022 Aggregate Unpaid Principal Balance	September 30, 2022 Difference	December 31, 2021 Fair Value	December 31, 2021 Aggregate Unpaid Principal Balance	December 31, 2021 Difference
Assets						
Residential mortgage loans held for sale						
Accruing loans less than 90 days past due	$ 769	$ 794	$ (25)	$ 1,249	$ 1,219	$ 30
Accruing loans 90 days or more past due	8	8		6	6	
Nonaccrual loans	58	70	(12)	47	57	(10)
Total	$ 835	$ 872	$ (37)	$ 1,302	$ 1,282	$ 20
Commercial mortgage loans held for sale (a)						
Accruing loans less than 90 days past due	$ 218	$ 222	$ (4)	$ 575	$ 580	$ (5)
Nonaccrual loans	17	45	(28)			
Total	$ 235	$ 267	$ (32)	$ 575	$ 580	$ (5)
Loans						
Accruing loans less than 90 days past due	$ 472	$ 484	$ (12)	$ 487	$ 498	$ (11)
Accruing loans 90 days or more past due	152	166	(14)	262	278	(16)
Nonaccrual loans	654	893	(239)	752	1,028	(276)
Total	$ 1,278	$ 1,543	$ (265)	$ 1,501	$ 1,804	$ (303)
Other assets	$ 101	$ 114	$ (13)	$ 105	$ 107	$ (2)
Liabilities						
Other borrowed funds	$ 20	$ 20		$ 30	$ 30	
Other liabilities	$ 175		$ 175			

(a) There were no accruing loans 90 days or more past due within this category at September 30, 2022 or December 31, 2021.

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

Table 68: Fair Value Option – Changes in Fair Value (a)

	Gains (Losses) Three months ended		Gains (Losses) Nine months ended	
In millions	September 30 2022	September 30 2021	September 30 2022	September 30 2021
Assets				
Residential mortgage loans held for sale	$ (29)	$ 47	$ (92)	$ 120
Commercial mortgage loans held for sale	$ 14	$ 31	$ 34	$ 77
Loans	$ 1	$ 21	$ 37	$ 52
Other assets	$ (3)	$ 3	$ (21)	$ 25
Liabilities				
Other liabilities	$ (24)		$ (40)	

(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 September 30, 2022 and December 31, 2021. For more information regarding the methods and assumptions used to estimate the fair values of financial instruments included in Table 69, see Note 15 Fair Value in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

Table 69: Additional Fair Value Information Related to Other Financial Instruments

	Carrying	Fair Value			
In millions	Amount	Total	Level 1	Level 2	Level 3
September 30, 2022					
Assets					
Cash and due from banks	$ 6,548	$ 6,548	$ 6,548		
Interest-earning deposits with banks	40,278	40,278		$ 40,278	
Securities held to maturity	90,660	85,189	30,614	54,431	$ 144
Net loans (excludes leases)	303,348	299,519			299,519
Other assets	6,178	6,147		6,144	3
Total assets	$ 447,012	$ 437,681	$ 37,162	$ 100,853	$ 299,666
Liabilities					
Time deposits	$ 10,034	$ 9,661		$ 9,661	
Borrowed funds	52,946	52,700		50,981	$ 1,719
Unfunded lending related commitments	682	682			682
Other liabilities	551	551		551	
Total liabilities	$ 64,213	$ 63,594		$ 61,193	$ 2,401
December 31, 2021					
Assets					
Cash and due from banks	$ 8,004	$ 8,004	$ 8,004		
Interest-earning deposits with banks	74,250	74,250		$ 74,250	
Securities held to maturity	1,429	1,522	890	456	$ 176
Net loans (excludes leases)	275,874	280,498			280,498
Other assets	4,205	4,204		4,141	63
Total assets	$ 363,762	$ 368,478	$ 8,894	$ 78,847	$ 280,737
Liabilities					
Time deposits	$ 17,366	$ 17,180		$ 17,180	
Borrowed funds	30,011	30,616		28,936	$ 1,680
Unfunded lending related commitments	662	662			662
Other liabilities	449	449		449	
Total liabilities	$ 48,488	$ 48,907		$ 46,565	$ 2,342

The aggregate fair values in Table 69 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 63),
- 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 13 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 2021 Form 10-K.

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

Table 70: Total Gross Derivatives (a)

	September 30, 2022			December 31, 2021		
In millions	Notional / Contract Amount	Asset Fair Value (b)	Liability Fair Value (c)	Notional / Contract Amount	Asset Fair Value (b)	Liability Fair Value (c)
Derivatives used for hedging						
Interest rate contracts (d):						
Fair value hedges	$ 22,222			$ 23,345		
Cash flow hedges	41,700		$ 170	48,961	$ 15	$ 14
Foreign exchange contracts:						
Net investment hedges	1,343	$ 176	1	1,113		24
Total derivatives designated for hedging	$ 65,265	$ 176	$ 171	$ 73,419	$ 15	$ 38
Derivatives not used for hedging						
Derivatives used for mortgage banking activities (e):						
Interest rate contracts:						
Swaps	$ 55,098		$ 35	$ 35,623		
Futures (f)	7,020			4,592		
Mortgage-backed commitments	5,539	$ 170	125	9,917	$ 55	$ 31
Other	20,703	175	16	12,225	46	12
Total interest rate contracts	88,360	345	176	62,357	101	43
Derivatives used for customer-related activities:						
Interest rate contracts:						
Swaps	333,106	1,593	5,693	297,711	3,335	1,520
Futures (f)	896			907		
Mortgage-backed commitments	2,119	39	16	4,147	5	6
Other	29,742	339	320	25,718	125	72
Total interest rate contracts	365,863	1,971	6,029	328,483	3,465	1,598
Commodity contracts:						
Swaps	7,868	2,105	2,206	8,840	1,150	1,161
Other	5,307	470	467	3,128	213	212
Total commodity contracts	13,175	2,575	2,673	11,968	1,363	1,373
Foreign exchange contracts and other	28,984	601	566	27,563	199	179
Total derivatives for customer-related activities	408,022	5,147	9,268	368,014	5,027	3,150
Derivatives used for other risk management activities:						
Foreign exchange contracts and other	11,930	200	122	11,512	9	339
Total derivatives not designated for hedging	$ 508,312	$ 5,692	$ 9,566	$ 441,883	$ 5,137	$ 3,532
Total gross derivatives	$ 573,577	$ 5,868	$ 9,737	$ 515,302	$ 5,152	$ 3,570
Less: Impact of legally enforceable master netting agreements		1,774	1,774		928	928
Less: Cash collateral received/paid		1,282	2,572		604	1,657
Total derivatives		$ 2,812	$ 5,391		$ 3,620	$ 985

(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 and Counterparty Credit Risk section of this Note 13. Any nonperformance risk, including credit risk, is included in the determination of the estimated net fair value of the derivatives.

Derivatives Designated As Hedging Instruments

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

Fair Value Hedges

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

Cash Flow Hedges

We enter into receive-fixed, pay-variable interest rate swaps 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 September 30, 2022, we expect to reclassify net derivative losses of $1.2 billion pretax, or $1.0 billion 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 September 30, 2022. As of September 30, 2022, 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 71: 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 September 30, 2022				
Total amounts in the Consolidated Income Statement	$ 3,138	$ 715	$ 317	$ 317
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ (85)	$ 696	
Derivatives		$ 86	$ (706)	
Amounts related to interest settlements on derivatives		$ (1)	$ 1	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from accumulated other comprehensive income	$ (122)	$ (7)		
For the three months ended September 30, 2021				
Total amounts in the Consolidated Income Statement	$ 2,437	$ 460	$ 90	$ 268
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ 2	$ 155	
Derivatives			$ (169)	
Amounts related to interest settlements on derivatives		$ (1)	$ 129	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from accumulated other comprehensive income	$ 91	$ 11		$ 13
For the nine months ended September 30, 2022				
Total amounts on the Consolidated Income Statement	$ 7,935	$ 1,890	$ 542	$ 705
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ (131)	$ 2,073	
Derivatives		$ 135	$ (2,101)	
Amounts related to interest settlements on derivatives		$ (4)	$ 185	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from accumulated other comprehensive income	$ (5)	$ 3		
For the nine months ended September 30, 2021				
Total amounts on the Consolidated Income Statement	$ 6,593	$ 1,350	$ 275	$ 907
Gains (losses) on fair value hedges recognized on:				
Hedged items (c)		$ (3)	$ 695	
Derivatives		$ 7	$ (740)	
Amounts related to interest settlements on derivatives		$ (3)	$ 394	
Gains (losses) on cash flow hedges (d):				
Amount of derivative gains (losses) reclassified from accumulated other comprehensive income	$ 282	$ 49		$ 27

(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 72: Hedged Items - Fair Value Hedges

	September 30, 2022		December 31, 2021	
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)	$ 2,356	$ (114)	$ 2,655	$ 23
Borrowed funds	$ 19,633	$ (1,411)	$ 24,259	$ 663

(a) Includes less than $(0.1) billion and $(0.1) billion of fair value hedge adjustments primarily related to discontinued borrowed funds hedge relationships at September 30, 2022 and December 31, 2021, 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 the periods presented.

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 2021 Form 10-K.

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

Table 73: Gains (Losses) on Derivatives Not Designated for Hedging

	Three months ended September 30		Nine months ended September 30	
In millions	2022	2021	2022	2021
Derivatives used for mortgage banking activities:				
Interest rate contracts (a)	$ (245)	$ 6	$ (700)	$ (100)
Derivatives used for customer-related activities:				
Interest rate contracts	65	(4)	231	93
Foreign exchange contracts and other	(2)	23	22	88
Gains (losses) from customer-related activities (b)	63	19	253	181
Derivatives used for other risk management activities:				
Foreign exchange contracts and other (b)	309	(72)	572	(53)
Total gains (losses) from derivatives not designated as hedging instruments	$ 127	$ (47)	$ 125	$ 28

(a) Included in Residential and commercial mortgage noninterest income on our Consolidated Income Statement.
(b) Included in Capital markets related and Other noninterest income on our Consolidated Income Statement.

Offsetting and Counterparty Credit Risk

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 and counterparty credit risk, see Note 16 Financial Derivatives in the Notes To Consolidated Financial Statements included in Item 8 of our 2021 Form 10-K.

Table 74 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities at September 30, 2022 and December 31, 2021. 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 74 includes OTC derivatives not settled through an exchange ("OTC derivatives") and OTC derivatives cleared through a central clearing house ("OTC cleared derivatives"). 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 74: 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
September 30, 2022							
Derivative assets							
Interest rate contracts:							
Over-the-counter cleared	$ 140			$ 140			$ 140
Over-the-counter	2,176	$ 873	$ 790	513		$ 35	478
Commodity contracts	2,575	555	105	1,915			1,915
Foreign exchange and other contracts	977	346	387	244			244
Total derivative assets	$ 5,868	$ 1,774	$ 1,282	$ 2,812	(a)	$ 35	$ 2,777
Derivative liabilities							
Interest rate contracts:							
Over-the-counter cleared	$ 244			$ 244			$ 244
Over-the-counter	6,131	$ 550	$ 1,015	4,566		$ 79	4,487
Commodity contracts	2,673	1,012	1,548	113			113
Foreign exchange and other contracts	689	212	9	468			468
Total derivative liabilities	$ 9,737	$ 1,774	$ 2,572	$ 5,391	(b)	$ 79	$ 5,312
December 31, 2021							
Derivative assets							
Interest rate contracts:							
Over-the-counter cleared	$ 20			$ 20			$ 20
Over-the-counter	3,561	$ 533	$ 593	2,435		$ 300	2,135
Commodity contracts	1,363	299	1	1,063			1,063
Foreign exchange and other contracts	208	96	10	102			102
Total derivative assets	$ 5,152	$ 928	$ 604	$ 3,620	(a)	$ 300	$ 3,320
Derivative liabilities							
Interest rate contracts:							
Over-the-counter cleared	$ 12			$ 12			$ 12
Over-the-counter	1,643	$ 569	$ 776	298			298
Commodity contracts	1,373	291	784	298			298
Foreign exchange and other contracts	542	68	97	377			377
Total derivative liabilities	$ 3,570	$ 928	$ 1,657	$ 985	(b)		$ 985

(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 September 30, 2022, cash and debt securities (primarily agency mortgage-backed securities) totaling $2.2 billion were pledged to us under master netting agreements and other collateral agreements to collateralize net derivative assets due from counterparties and to meet initial margin requirements, and we pledged cash and debt securities (primarily agency mortgage-backed securities) totaling $3.9 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 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 pledged to us by counterparties are not recognized on our balance sheet. Likewise, securities we have pledged to counterparties remain on our balance sheet.

Credit-Risk Contingent Features

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 following table presents the aggregate fair value of derivative instruments with credit-risk-related contingent features, the associated collateral posted in the normal course of business and the maximum amount of collateral we would be required to post if the credit-risk-related contingent features underlying these agreements had been triggered on September 30, 2022 and December 31, 2021.

Table 75: Credit-Risk Contingent Features

In billions	September 30 2022	December 31 2021
Net derivative liabilities with credit-risk contingent features	$ 7.5	$ 2.4
Collateral posted	2.7	1.8
Maximum additional amount of collateral exposure	$ 4.8	$ 0.6

Note 14 Legal Proceedings

We establish accruals for legal proceedings, including litigation and regulatory and governmental investigations and inquiries, when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changed circumstances. When we are able to do so, we also determine estimates of possible losses or ranges of possible losses, whether in excess of any related accrued liability or where there is no accrued liability, for disclosed legal proceedings ("Disclosed Matters," which are those matters disclosed in this Note 14 as well as those matters disclosed in Note 21 Legal Proceedings in Item 8 of our 2021 Form 10-K, in Note 13 Legal Proceedings in Item 1 of our first quarter 2022 Form 10-Q and in Note 14 Legal Proceedings in Item 1 of our second quarter 2022 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 September 30, 2022, 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 $300 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 Item 8 of our 2021 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 July 2022, following a jury verdict in *United Services Automobile Association v. PNC Bank N.A.* (Case No. 2:20-cv-319) (the "first Texas case") and *United Services Automobile Association v. PNC Bank N.A.* (Case No. 2:21-cv-110) (together, "the first consolidated cases"), the parties submitted briefs on PNC's remaining equitable defenses. In August 2022, the court denied our request for relief, entered final judgment, declined to award enhanced damages for willfulness and awarded USAA pre-judgment and applicable post-judgment interest. In September 2022, PNC filed its post-trial motions for judgment as a matter of law and for a new trial.

In September 2022, following a jury trial in the second consolidated cases (representing the case for PNC's patent infringement counterclaims (originally asserted in the first Texas case) which was previously consolidated into USAA's third lawsuit filed in July 2021 in the United States District Court for the Eastern District of Texas against PNC Bank for patent infringement (*United Services Automobile Association v. PNC Bank N.A.* (Case No. 2:21-cv-246)) ("the third Texas case")), a jury found against PNC for infringement of at least one of the two asserted patents and awarded $4.3 million, and determined that PNC did not willfully infringe the patents. The jury further found that USAA did not infringe any of PNC's asserted patents.

Because of USAA's case narrowing in the first consolidated cases, only one of the three patents granted inter partes review ("IPR") by the Patent Trial and Appeal Board was presented to the jury in the first consolidated cases. In addition, because of USAA's case narrowing in the third Texas case, only one of the two patents granted IPR by the Patent Trial and Appeal Board was presented to the jury in the third Texas case.

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.

Other

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

Note 15 Segment Reporting

We have three reportable business segments:

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

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

Total business segment financial results differ from total consolidated net income. These differences are reflected in the “Other” category in Table 76. “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). 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 76: Results of Businesses

Three months ended September 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Other	Consolidated (a)
2022					
Income Statement					
Net interest income	$ 2,017	$ 1,345	$ 165	$ (52)	$ 3,475
Noninterest income	725	887	231	231	2,074
Total revenue	2,742	2,232	396	179	5,549
Provision for (recapture of) credit losses	92	150	4	(5)	241
Depreciation and amortization	76	50	6	145	277
Other noninterest expense	1,825	840	268	70	3,003
Income (loss) before income taxes (benefit) and noncontrolling interests	749	1,192	118	(31)	2,028
Income taxes (benefit)	175	258	28	(73)	388
Net income	574	934	90	42	1,640
Less: Net income (loss) attributable to noncontrolling interests	14	5		(3)	16
Net income excluding noncontrolling interests	$ 560	$ 929	$ 90	$ 45	$ 1,624
Average Assets	$ 114,619	$ 224,984	$ 14,820	$ 192,674	$ 547,097
2021					
Income Statement					
Net interest income	$ 1,713	$ 1,241	$ 141	$ (239)	$ 2,856
Noninterest income	662	1,056	256	367	2,341
Total revenue	2,375	2,297	397	128	5,197
Provision for (recapture of) credit losses	(113)	(99)	(6)	15	(203)
Depreciation and amortization	78	54	7	138	277
Other noninterest expense	1,811	926	248	325	3,310
Income (loss) before income taxes (benefit) and noncontrolling interests	599	1,416	148	(350)	1,813
Income taxes (benefit)	140	290	34	(141)	323
Net income (loss)	459	1,126	114	(209)	1,490
Less: Net income attributable to noncontrolling interests	12	3		1	16
Net income (loss) excluding noncontrolling interests	$ 447	$ 1,123	$ 114	$ (210)	$ 1,474
Average Assets	$ 117,394	$ 202,268	$ 13,805	$ 225,775	$ 559,242

(Continued from previous page)

Nine months ended September 30 In millions		Retail Banking		Corporate & Institutional Banking		Asset Management Group		Other		Consolidated (a)
2022										
Income Statement										
Net interest income	$	5,210	$	3,720	$	456	$	(56)	$	9,330
Noninterest income		2,218		2,659		713		437		6,027
Total revenue		7,428		6,379		1,169		381		15,357
Provision for (recapture of) credit losses		66		15		11		(23)		69
Depreciation and amortization		233		153		20		437		843
Other noninterest expense		5,473		2,508		775		97		8,853
Income (loss) before income taxes (benefit) and noncontrolling interests		1,656		3,703		363		(130)		5,592
Income taxes (benefit)		389		803		85		(250)		1,027
Net income		1,267		2,900		278		120		4,565
Less: Net income (loss) attributable to noncontrolling interests		45		12				(5)		52
Net income excluding noncontrolling interests	$	1,222	$	2,888	$	278	$	125	$	4,513
Average Assets	$	113,157	$	215,163	$	14,360	$	205,763	$	548,443
2021										
Income Statement										
Net interest income	$	4,572	$	3,315	$	346	$	(448)	$	7,785
Noninterest income		2,022		2,730		729		818		6,299
Total revenue		6,594		6,045		1,075		370		14,084
Provision for (recapture of) credit losses		(156)		(277)		8		(27)		(452)
Depreciation and amortization		214		152		16		385		767
Other noninterest expense		4,828		2,352		660		604		8,444
Income (loss) before income taxes (benefit) and noncontrolling interests		1,708		3,818		391		(592)		5,325
Income taxes (benefit)		396		818		91		(399)		906
Net income (loss)		1,312		3,000		300		(193)		4,419
Less: Net income attributable to noncontrolling interests		26		10				2		38
Net income (loss) excluding noncontrolling interests	$	1,286	$	2,990	$	300	$	(195)	$	4,381
Average Assets	$	103,820	$	184,964	$	11,124	$	211,056	$	510,964

(a) There were no material intersegment revenues for the three and nine months ended September 30, 2022 and 2021.

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. As a result of the BBVA acquisition, we have become a coast-to-coast retail bank. Our national expansion strategy is designed to grow customers with digitally-led banking and a thin branch network as we expand into new markets. 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 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 provides wholesale money transfer processing capabilities between the U.S., Mexico and other countries primarily in Central and South America. 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 private banking 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:

- PNC Private Bank provides products and services to emerging affluent, high net worth and ultra high net worth individuals and their families including investment and retirement planning, customized investment management, credit and cash management solutions, trust management and administration. In addition, multi-generational family planning services are also provided to ultra high net worth individuals and their families which include estate, financial, tax, fiduciary and customized performance reporting through PNC Private Bank Hawthorn.

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

Note 16 Fee-based Revenue from Contracts with Customers

As more fully described in Note 24 Fee-based Revenue from Contracts with Customers in Item 8 of our 2021 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.

Effective for the first quarter of 2022, PNC updated the presentation of its noninterest income categorization to be based on product and service type, and accordingly, has changed the basis of presentation of its noninterest income revenue streams to: (i) Asset management and brokerage, (ii) Capital markets related, (iii) Card and cash management, (iv) Lending and deposit services, (v) Residential and commercial mortgage and (vi) Other noninterest income. For a description of each updated noninterest income revenue stream, see Note 1 Accounting Policies.

Table 77 presents the noninterest income recognized within the scope of Topic 606 for each of ourthree reportable business segments' principal products and services, along with the relationship to the noninterest income revenue streams shown on our Consolidated Income Statement. For a description of the fee-based revenue and how it is recognized for each segment's principal products and services, see Note 24 Fee-based Revenue from Contracts with Customers included in Item 8 of our 2021 Form 10-K.

Table 77: Noninterest Income by Business Segment and Reconciliation to Consolidated Noninterest Income

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Retail Banking	Corporate & Institutional Banking	Asset Management Group
Asset management and brokerage						
Asset management fees			$ 224			$ 248
Brokerage fees	$ 131		2	$ 123		4
Total asset management and brokerage	131		226	123		252
Card and cash management						
Treasury management fees	11	$ 328		15	$ 306	
Debit card fees	175			184		
Net credit card fees (a)	60			53		
Merchant services	48	16		46	17	
Other	23			30		
Total card and cash management	317	344		328	323	
Lending and deposit services						
Deposit account fees	146			158		
Other	16	8		15	8	
Total lending and deposit services	162	8		173	8	
Residential and commercial mortgage (b)		36			36	
Capital markets related		155			354	
Other		11			9	
Total in-scope noninterest income	610	554	226	624	730	252
Out-of-scope noninterest income (c)	115	333	5	38	326	4
Noninterest income by business segment	$ 725	$ 887	$ 231	$ 662	$ 1,056	$ 256
Reconciliation to consolidated noninterest income						
Total in-scope business segment noninterest income			$ 1,390			$ 1,606
Out-of-scope business segment noninterest income (c)			453			368
Noninterest income from other segments			231			367
Noninterest income as shown on the Consolidated Income Statement			$ 2,074			$ 2,341

(Continued from previous page)

In millions	Nine Months Ended September 30, 2022 Retail Banking	Corporate & Institutional Banking	Asset Management Group	Nine Months Ended September 30, 2021 Retail Banking	Corporate & Institutional Banking	Asset Management Group
Asset management and brokerage						
Asset management fees			$ 693			$ 713
Brokerage fees	$ 400		6	$ 334		6
Total asset management and brokerage	400		699	334		719
Card and cash management						
Treasury management fees	30	$ 957		33	$ 793	
Debit card fees	513			486		
Net credit card fees (a)	178			157		
Merchant services	141	47		125	44	
Other	73			87		
Total card and cash management	935	1,004		888	837	
Lending and deposit services						
Deposit account fees	433			406		
Other	50	25		42	28	
Total lending and deposit services	483	25		448	28	
Residential and commercial mortgage (b)		100			102	
Capital markets related		564			778	
Other		33			36	
Total in-scope noninterest income	1,818	1,726	699	1,670	1,781	719
Out-of-scope noninterest income (c)	400	933	14	352	949	10
Noninterest income by business segment	$ 2,218	$ 2,659	$ 713	$ 2,022	$ 2,730	$ 729
Reconciliation to consolidated noninterest income						
Total in-scope business segment noninterest income			$ 4,243			$ 4,170
Out-of-scope business segment noninterest income (c)			1,347			1,311
Noninterest income from other segments			437			818
Noninterest income as shown on the Consolidated Income Statement			$ 6,027			$ 6,299

(a) Net credit card fees consists of interchange fees of $ 169 million and $ 155 million and credit card reward costs of $ 109 million and $ 102 million for the three months ended September 30, 2022 and 2021, respectively. Net credit card fees consists of interchange fees of $489 million and $ 421 million and credit card reward costs of $ 311 million and $ 264 million for the nine months ended September 30, 2022 and 2021, respectively.
(b) Residential mortgage noninterest income falls under the scope of other accounting and disclosure requirements outside of Topic 606 and is included within the out-of-scope noninterest income line for the Retail Banking segment.
(c) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

Note 17 Subsequent Events

On October 28, 2022, the parent company issued $1.0 billion of senior fixed-to-floating rate notes with a maturity date of October 28, 2025 (the “2025 Senior Notes”) and $1.5 billion of senior fixed-to-floating rate notes with a maturity date of October 28, 2033 (the “2033 Senior Notes”). Interest is payable on the 2025 Senior Notes semi-annually in arrears at a fixed rate of 5.671% per annum, on April 28 and October 28 of each year, beginning on April 28, 2023. Beginning on October 28, 2024, interest is payable on the 2025 Senior Notes 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 as described in the Prospectus Supplement), plus 1.09%, on January 28, 2025, April 28, 2025, July 28, 2025 and at the maturity date. Interest is payable on the 2033 Senior Notes semi-annually in arrears at a fixed rate of 6.037% per annum, on April 28 and October 28 of each year, beginning on April 28, 2023. Beginning on October 28, 2032, interest is payable on the 2033 Senior Notes 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 as described in the Prospectus Supplement), plus 2.14%, on January 28, 2033, April 28, 2033, July 28, 2033 and at the maturity date.

On November 1, 2022, PNC redeemed $1.5 billion of depositary shares representing interests in PNC’s fixed-to-floating rate non-cumulative perpetual preferred stock, Series P. Each depositary share represents a 1/4,000th interest in a share of the Series P preferred stock. The depositary shares were redeemed at a redemption price of $25.00 per depositary share plus declared and unpaid dividends of $0.43763 per depositary share, representing the dividend for the period from August 1, 2022 to, but excluding, November 1, 2022. All 60 million depositary shares outstanding were redeemed.

STATISTICAL INFORMATION (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

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

	Nine months ended September 30					
	2022			2021		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ 45,633	$ 687	2.01 %	$ 54,900	$ 644	1.56 %
Non-agency	885	50	7.57 %	1,142	66	7.70 %
Commercial mortgage-backed	4,354	81	2.49 %	6,280	116	2.47 %
Asset-backed	2,885	34	1.56 %	5,590	76	1.80 %
U.S. Treasury and government agencies	25,448	262	1.36 %	31,017	315	1.34 %
Other	4,189	82	2.61 %	4,889	112	3.05 %
Total securities available for sale	83,394	1,196	1.91 %	103,818	1,329	1.70 %
Securities held to maturity						
Residential mortgage-backed	24,317	390	2.14 %			
Commercial mortgage-backed	1,089	25	3.04 %			
Asset-backed	3,587	62	2.31 %			
U.S. Treasury and government agencies	21,243	182	1.14 %	802	17	2.86 %
Other	1,585	49	4.12 %	667	20	4.05 %
Total securities held to maturity	51,821	708	1.82 %	1,469	37	3.40 %
Total investment securities	135,215	1,904	1.88 %	105,287	1,366	1.73 %
Loans						
Commercial and industrial	165,142	3,929	3.14 %	140,368	3,049	2.87 %
Commercial real estate	34,541	901	3.44 %	32,452	734	2.98 %
Equipment lease financing	6,168	173	3.73 %	6,321	182	3.83 %
Consumer	54,692	2,002	4.89 %	53,695	1,934	4.82 %
Residential real estate	42,378	992	3.12 %	29,048	730	3.35 %
Total loans	302,921	7,997	3.50 %	261,884	6,629	3.36 %
Interest-earning deposits with banks	44,641	292	0.87 %	81,383	74	0.12 %
Other interest-earning assets	9,637	210	2.92 %	8,345	142	2.27 %
Total interest-earning assets/interest income	492,414	10,403	2.80 %	456,899	8,211	2.38 %
Noninterest-earning assets	56,029			54,065		
Total assets	$ 548,443			$ 510,964		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 60,510	$ 161	0.36 %	$ 69,105	$ 15	0.03 %
Demand	117,485	231	0.26 %	99,154	23	0.03 %
Savings	108,112	47	0.06 %	86,662	32	0.05 %
Time deposits	12,125	16	0.18 %	18,577	29	0.21 %
Total interest-bearing deposits	298,232	455	0.20 %	273,498	99	0.05 %
Borrowed funds						
Federal Home Loan Bank borrowings	7,957	133	2.20 %	883	3	0.42 %
Bank notes and senior debt	16,249	222	1.80 %	22,663	172	1.00 %
Subordinated debt	7,131	123	2.30 %	6,315	64	1.35 %
Other	5,457	64	1.54 %	4,701	36	1.02 %
Total borrowed funds	36,794	542	1.95 %	34,562	275	1.05 %
Total interest-bearing liabilities/interest expense	335,026	997	0.39 %	308,060	374	0.16 %
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	148,062			133,999		
Accrued expenses and other liabilities	16,061			14,787		
Equity	49,294			54,118		
Total liabilities and equity	$ 548,443			$ 510,964		
Interest rate spread			2.41 %			2.22 %
Impact of noninterest-bearing sources			0.13			0.06
Net interest income/margin		$ 9,406	2.54 %		$ 7,837	2.28 %

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

(Continued from previous page)

Three months ended September 30	2022			2021		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	$ 32,500	$ 192	2.36 %	$ 63,163	$ 223	1.41 %
Non-agency	748	14	7.62 %	1,051	21	8.07 %
Commercial mortgage-backed	3,489	23	2.70 %	6,134	35	2.34 %
Asset-backed	110	2	6.31 %	5,608	21	1.50 %
U.S. Treasury and government agencies	11,789	52	1.73 %	38,149	115	1.18 %
Other	3,506	22	2.47 %	4,994	37	2.90 %
Total securities available for sale	52,142	305	2.33 %	119,099	452	1.51 %
Securities held to maturity						
Residential mortgage-backed	39,329	226	2.30 %			
Commercial mortgage-backed	2,069	18	3.50 %			
Asset-backed	6,571	42	2.58 %			
U.S. Treasury and government agencies	34,279	102	1.19 %	807	6	2.88 %
Other	2,600	27	4.10 %	680	7	4.33 %
Total securities held to maturity	84,848	415	1.96 %	1,487	13	3.54 %
Total investment securities	136,990	720	2.10 %	120,586	465	1.54 %
Loans						
Commercial and industrial	172,788	1,632	3.69 %	152,964	1,095	2.80 %
Commercial real estate	35,140	383	4.27 %	37,054	300	3.17 %
Equipment lease financing	6,202	60	3.85 %	6,300	61	3.83 %
Consumer	54,563	731	5.32 %	57,533	703	4.85 %
Residential real estate	44,333	356	3.21 %	37,475	295	3.15 %
Total loans	313,026	3,162	3.98 %	291,326	2,454	3.32 %
Interest-earning deposits with banks	31,892	185	2.32 %	80,274	31	0.16 %
Other interest-earning assets	9,560	94	3.94 %	9,113	47	2.03 %
Total interest-earning assets/interest income	491,468	4,161	3.35 %	501,299	2,997	2.36 %
Noninterest-earning assets	55,629			57,943		
Total assets	$ 547,097			$ 559,242		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	$ 60,934	$ 130	0.85 %	$ 82,911	$ 6	0.03 %
Demand	120,358	180	0.59 %	106,588	7	0.03 %
Savings	106,761	25	0.09 %	89,679	10	0.04 %
Time deposits	10,020	5	0.26 %	19,293	6	0.12 %
Total interest-bearing deposits	298,073	340	0.45 %	298,471	29	0.04 %
Borrowed funds						
Federal Home Loan Bank borrowings	16,708	111	2.60 %			
Bank notes and senior debt	14,597	110	2.96 %	22,573	56	0.97 %
Subordinated debt	7,614	65	3.43 %	6,787	22	1.28 %
Other	5,342	31	2.20 %	4,992	12	0.93 %
Total borrowed funds	44,261	317	2.81 %	34,352	90	1.03 %
Total interest-bearing liabilities/interest expense	342,334	657	0.75 %	332,823	119	0.14 %
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	141,167			155,948		
Accrued expenses and other liabilities	15,699			15,332		
Equity	47,897			55,139		
Total liabilities and equity	$ 547,097			$ 559,242		
Interest rate spread			2.60 %			2.22 %
Impact of noninterest-bearing sources			0.22			0.05
Net interest income/margin		$ 3,504	2.82 %		$ 2,878	2.27 %

(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 September 30, 2022 and September 30, 2021 were $48 million and $54 million, respectively. Loan fees for the nine months ended September 30, 2022 and September 30, 2021 were $146 million and $151 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)

	Nine months ended		Three months ended	
In millions	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net interest income (GAAP)	$ 9,330	$ 7,785	$ 3,475	$ 2,856
Taxable-equivalent adjustments	76	52	29	22
Net interest income (non-GAAP)	$ 9,406	$ 7,837	$ 3,504	$ 2,878

(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. This adjustment is not permitted under GAAP.

GLOSSARY

DEFINED TERMS

For a glossary of terms commonly used in our filings, please see the glossary of terms included inour 2021 Form 10-K.

ACRONYMS

ACL	Allowance for credit losses	**LIBOR**	London Interbank Offered Rate
ALLL	Allowance for loan and lease losses	**LIHTC**	Low income housing tax credit
AOCI	Accumulated other comprehensive income	**LLC**	Limited liability company
ASC	Accounting Standards Codification	**LTV**	Loan-to-value ratio
ASU	Accounting Standards Update	**MD&A**	Management's Discussion and Analysis of Financial Condition and Results of Operations
BBVA	BBVA USA Bancshares, Inc.	**MSR**	Mortgage servicing right
BBVA USA	BBVA USA, the Alabama-chartered bank subsidiary of BBVA USA Bancshares, Inc.	**NSFR**	Net Stable Funding Ratio
BHC	Bank holding company	**OCC**	Office of the Comptroller of the Currency
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
FHLB	Federal Home Loan Bank	**RAC**	PNC's Reserve Adequacy Committee
FHLMC	Federal Home Loan Mortgage Corporation	**ROAP**	Removal of account provisions
FICO	Fair Isaac Corporation (credit score)	**SCB**	Stress capital buffer
FNMA	Federal National Mortgage Association	**SEC**	Securities and Exchange Commission
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
GSIB	Globally systemically important bank	**U.S.**	United States of America
ISDA	International Swaps and Derivatives Association	**VaR**	Value-at-risk
LCR	Liquidity Coverage Ratio	**VIE**	Variable interest entity
LGD	Loss given default		

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information set forth in Note 14 Legal Proceedings in the Notes To Consolidated Financial Statements under Part I, Item 1 of this Report, which is incorporated by reference in response to this item.

ITEM 1A. RISK FACTORS

There are no material changes from any of the risk factors previously disclosed in our 2021 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 third quarter of 2022 are included in the following table.

2022 period In thousands, except per share data	Total shares purchased (a)	Average price paid per share	Total shares purchased as part of publicly announced programs (b)	Maximum number of shares that may yet be purchased under the programs (b)
July 1 – 31	1,551	$ 158.64	1,544	57,912
August 1 – 31	1,194	$ 166.65	1,188	56,724
September 1 – 30	3,921	$ 156.73	3,921	52,803
Total	6,666	$ 158.95	6,653	

(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 2021 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, which includes setting PNC's SCB. The SCB framework allows for capital returns in amounts up to the level of capital in excess of the SCB minimum. Consistent with the flexibility provided under the SCB framework, our Board of Directors has authorized a repurchase structure program of up to 100 million common shares, of which approximately 53% were still available at September 30, 2022. Under this framework, PNC expects its quarterly repurchases to approximate $700 million to $750 million with the ability to adjust those levels as conditions warrant.

ITEM 6. EXHIBITS

The following exhibit index lists Exhibits filed or furnished with this Quarterly Report on Form 10-Q:

Exhibit Index

3.1.10	Statement with Respect to Shares of the 6.200% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series V (incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed August 19, 2022)
4.13	Deposit Agreement, dated as of August 19, 2022, between the Corporation, Computershare Trust Company, N.A. and Computershare Inc., as depositary, and the holders from time to time of the Depositary Receipts described therein (incorporated herein by reference to Exhibit 4.1 of the Corporation's Current Report on Form 8-K filed August 19, 2022)
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 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 at "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 all 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 PNC Investor Relations at 800-843-2206, via the request financial information form at www.pnc.com/investorrelations or via email to investor.relations@pnc.com.

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, Human Resources, 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, which includes setting PNC's SCB, 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 2021 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 November 2, 2022 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 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 September 30, 2022 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: November 2, 2022

/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 September 30, 2022 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: November 2, 2022

/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 September 30, 2022 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

November 2, 2022

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 September 30, 2022 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

November 2, 2022